

The Long Shadow of Misinformation on Trade Globalization

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Abstract: This study examines how misinformation influences national trade policy design. Unlike prior research focusing on individual attitudes toward trade after exposure to misleading narratives about specific events, we investigate macro-level effects using panel data. Misinformation is measured with the V-DEM Misinformation Index, including domestic and abroad dimensions capturing government-driven misinformation targeting citizens at home and overseas. Results show misinformation reduces trade globalization, with negative effects persisting despite later improvements in the information environment. Digitalization has dual effects: alone, it hinders trade globalization, but combined with a stronger information environment, it promotes liberal trade policies and greater trade globalization overall.

Keywords: Trade Policy, Misinformation, Digitalization

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