BLOG POST

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# Why politicians lie about trade

*The second installment of the Sciences Po PSIA and Jacques Delors Institute series on trade policy brought together the insider and the explainer for an honest conversation about a dishonest debate.*

Trade policy has moved from the back pages of the Financial Times to the front page of TikTok. As it has done so, the gap between how trade works and how politicians describe it has grown wider. Foreigners pay the tariffs. We can take back control. Protectionism is patriotism. None of these claims survives much contact with reality, and yet all of them keep winning elections.

To open this up, we brought together two people who approached the question from very different angles. **Dmitry Grozoubinski** is a former Australian trade negotiator and the author of Why Politicians Lie About Trade, and probably the most prominent voice on trade policy on social media. **Pascal Lamy** is the ultimate insider: chief of staff to Jacques Delors during the creation of the single market, EU Trade Commissioner during the Battle of Seattle, and Director-General of the WTO for eight years.

The conversation ranged across five themes. A few highlights are worth pulling out.

## I • The most dangerous lie

For Grozoubinski, the meta-lie of contemporary trade politics is that trade policy can solve hard domestic problems. Demography, the shift from manufacturing to services, regional decline, inequality: none of these have a cheap or quick fix. What trade policy offers political leaders is the appearance of one. Locking out foreigners feels decisive in a way that twenty-year investments in education do not.

Lamy reframed the question structurally. Trade opening, in the Ricardian-Schumpeterian sense, works because it is painful, and it is painful because it works. The gains are broadly distributed and largely invisible. The losses are concentrated and politically vocal. Until governments redistribute the gains seriously enough to offset the pain, the political equation will remain unbalanced, and politicians will keep finding it easier to lie than to explain.

## II • Trade deficits and macroeconomic confusion

Both speakers were unsparing on the Trump administration's deficit obsession. The US trade deficit is not a weakness but a function of the dollar's reserve status and the savings-investment imbalances between the US, China and Europe. 80% of the issue is macroeconomic and entirely out of reach of trade policy. 10 or 20% is within reach. That is not the proportion the public has in mind, and tariffs cannot do the work that is being asked of them.

## III • Sovereignty, Brexit and the rise of precautionism

On Brexit, Lamy and Grozoubinski converged. Every international agreement is a promise about what you will not do with your sovereignty. The European single market is essentially an escalation of promises that allows checks to disappear from internal borders. The UK rediscovered, painfully, that reclaiming flexibility means reinstalling the border, and that the only practical way to lower the cost of that border is to keep aligning with rules it no longer helps to write.

Lamy added a sharper observation about where the real cost of trade now sits. The average trade-weighted tariff worldwide is around five per cent. The compliance cost of meeting destination market standards, certifications and administrative requirements is closer to twenty per cent. He calls this "precautionism" rather than protectionism, and it is four times more expensive than the tariffs the political debate is fixed on.

## IV • Green policy, EVs and the limits of patches

The discussion turned to green protectionism and the EU's regulatory toolkit. Grozoubinski's point was that even well-intentioned policies can lock out producers who are trying to do the right thing, simply because the compliance architecture is designed for European-scale corporations rather than smallholder supply chains. The EU Deforestation Regulation, now on its seventh revision, is the textbook case. Lamy, who supports the EU's CBAM (Carbon Border Adjustment Mechanism), was blunt about the EUDR (European Union Deforestation Regulation): it was the kind of cross-cutting initiative that needed ten Directorates-General (DGs) around a real table, and instead it was negotiated over Zoom during COVID.

On the EU's anti-subsidy duties on Chinese EVs, Lamy framed them as a patch rather than a strategy. Europe was complacent for fifteen years while China built a deliberate industrial advantage in electric mobility. The duties are useful as a signal, but the more interesting prospect is to apply to Chinese EV makers the conditions China applied to European carmakers forty years ago: market access in exchange for technology transfer and ownership arrangements. The EU market is one of the few still open to Chinese EVs, and that is leverage worth using.

## V • Distribution and the conversation we keep losing

The most candid exchange came on distributional effects, prompted by a question about the Leave voter who, during Brexit, told a Remain MP that GDP losses might affect his GDP but not *theirs*. Lamy and Grozoubinski agreed that the pro-trade side has lost the argument by speaking the wrong language. Ten-year macro projections do not persuade a steel worker whose town has been hollowing out for two decades. Lamy pointed to the end of the Multi-Fibre Arrangement as a controlled experiment: under a single EU trade policy, Sweden absorbed the shock well, while parts of France and Portugal did not. The lessons are about flanking policies, training and regional capacity, not about trade rules.

Grozoubinski added a point worth sitting with. We talk about freeing up "labour units" from declining sectors, but a 57-year-old former steel worker is not going to launch a SaaS startup. A job is not only what pays the bills. It is also what people answer when asked who they are. Any honest conversation about trade must take that seriously.

## VI • What politicians should stop saying

Asked which slogan they would ban from the trade debate, Grozoubinski chose "food security", on the grounds that it almost never means what it says, and Lamy chose any framing that pretends trade opening can be costless. His running metaphor was the marathon: the reward is real, but you must train your economy to get it.