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Curing the Dutch disease: The role of tariffs

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ABSTRACT

This study explores the role of tariffs in addressing the Dutch Disease effect in resource-rich developing economies. By developing a theoretical framework built on existing literature, the study explores the role that the structure of taxes, internationally, can play in mitigating the adverse effects of resource exports on domestic industrial activity. The theoretical analysis finds that tariffs do influence domestic intersectoral labor allocation as well as industrial production in a resource-exporting economy and can counterbalance the effects of resource exports. Empirical data from 40 developing economies (2004–2021) confirms a negative relationship between resource dependence and manufacturing share of labor, and corroborates the theoretical finding that tariffs do reduce this impact.

1. Introduction

Many countries are engaged in the export of natural resources, as this represents an important source of revenues for the government and of financial resources for the economy as a whole. For resource-rich developing economies, however, natural resource revenues usually represent a particularly important proportion of the country's total output, creating a sort of dependence on the revenues from the export of these resources.

Natural resources are considered to be natural endowments and are thus expected to give a development advantage to resource-rich countries over countries with similar economic features having no a less resource endowment. However, the observation, widely referred to as the resource curse, is that far from giving them an advantage in terms of economic development, natural resource exports tend to keep developing economies unexpectedly lagging behind when it comes to technological development and economic growth (Auty and Warhurst, 1993; Khan et al., 2020; Wu et al., 2018; Sachs et al., 1995; Humphreys et al., 2007).

Two complementary set of theories have emerged in the relevant economic literature for explaining why resource-rich developing countries do not seem to be advantaged by their resource exports in terms of durable economic development. The first set of theories provides a theoretical ground to the so-called Dutch disease, whereby exporting natural resources reduces domestic production activities through effects like making exports internationally less competitive and/or causing factors to be shifted away from domestic non-resource sectors (Corden and Neary, 1982). The second set of theories then argue that a "curse" is generated by the fact that when sectors that are negatively affected by resource exports happen to have a learning-by-doing property, whereby technological knowledge is built up through economic activity, even a temporary surge in resource exports does leave a permanent adverse effect on the accumulation of technology and thus on economics growth (Krugman, 1987).

Aside from the observation that natural resources share a bigger proportion of total output in resource-rich developing countries, Cherif (2013) shows that one other reason for the severity of the Dutch disease and the resource curse in these countries is the technological gap that there is between the countries and their trading partners. The work consists of not only a theoretical work supporting the claim, but also an empirical analysis where evidence is drawn from a set of cross-country panel data.

The present study borrows from the theoretical framework of Cherif (2013) to analyze the potential effect of taxation on the Dutch disease effect. The goal is to produce an analysis on how fiscal policy, through taxing measures, can help is reversing or at least mitigating the negative effect the resource exports are observed to have on resource-rich developing economies.

In Australia, for instance, the Brigden Committee (1929), the Vernon Committee (Report of the Committee of Economic Inquiry, 1965), and the Jackson Committee (Policies for Development of Manufacturing Industry, 1975), which were all studies and reports relevant to the issue,

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recommended that Australian tariffs should remain high for the specific reason of promoting and helping the expansion of the manufacturing sector. Further, in his article "Neutralizing the Dutch disease", Bresser-Pereira (2020) argues that import taxes help in countering the adverse effect of resource exports on domestic industries.

Although the idea of using taxation to prevent or counter the Dutch disease effect is not new, a thorough theoretical framework analyzing the nature and implications of such a mechanism is yet to be developed. The present work intends to contribute to closing this gap.

2. The model

The model consists of two countries, Home and Foreign. The countries' respective households have the choice of consuming domestically produced non-traded goods as well as domestically and imported traded goods. Each traded sector firm in each country uses domestic labor to produce goods that it sells in both countries under a monopolistically competitive market structure. These goods are then aggregated and consumed by the households as composite goods. Additionally, the home country's residents are assumed to receive a given amount in transfers from the foreign country's residents. The Home wage is set as the numéraire for all transactions.

2.1. Households

The budget constraint of the home country's household is

$$1+\frac{eT}{L}=X_0+PX \tag{1}$$

and the foreign country's budget constraint is

$$e-\frac{eT}{L^*}=eX_0^*+PX^* \tag{2}$$

e is the ratio of foreign wage to home wage. T is the total amount of transfers from foreign residents to domestic residents, in terms of the foreign wage. X_0 is the quantity of non-traded goods consumed, X is the quantity of the composite traded good consumed and P is the price of the latter. Following the assumption that the production of one non-traded good requires one domestic labor, the price of the non-traded good at home is equal to a unit of the home wage, which is the numéraire. L and L^* are the respective levels of available labor at home and in the foreign country.

The countries share the same utility function which has the following form

$$U=X_0^{1-\gamma}\cdot X^{\gamma},\ \text{where } X=\left(\int_0^{n+n^*}X(s)^{\rho}ds\right)^{\frac{1}{\rho}} \tag{3}$$

n and n^* are respectively the number of varieties of the traded goods produced at home and in the foreign country, and $X(s)$ is the quantity produced by a typical traded good firm.

The home household's utility maximization program can be broken down into two steps. First, an income allocation problem, thereby the household's income is optimally shared between the purchase of the non-traded good and the purchase of the composite traded good. This first step yields the following optimality conditions:

$$\underset{X_0,X}{max}U\Rightarrow X_0=(1-\gamma)\left(1+\frac{eT}{L}\right);\ X=\gamma\left(\frac{\left(1+\frac{eT}{L}\right)}{P}\right). \tag{4}$$

Secondly, the household minimizes the total cost of purchasing the traded goods from domestic and foreign producers. The minimization problem and the ensuing first order condition are as follows:

$$\begin{aligned}&\min_{X(s)}\int_0^{n+n^*}X(s)P(s)ds\\ &\Rightarrow C_1=\left(1+\frac{eT}{L}\right)\gamma\left(\frac{P_1}{P}\right)^{\frac{1}{\rho-1}};C_2=\left(1+\frac{eT}{L}\right)\gamma\left(\frac{P_2}{P}\right)^{\frac{1}{\rho-1}}.\end{aligned} \tag{5}$$

C_1 and C_2 are the home demand for a typical traded variety produced at home and abroad, respectively. These quantities do depend on the income of the home household and on the respective prices of the varieties.

Similarly, the foreign household's optimal demand is structured as follows:

$$\underset{X_0^*,X^*}{max}U\Rightarrow X_0^*=(1-\gamma)\left(1-\frac{T}{L^*}\right);X^*=\gamma\left(\frac{\left(e-\frac{eT}{L^*}\right)}{P}\right). \tag{6}$$

And

$$\begin{aligned}&\min_{X(s)}\int_0^{n+n^*}X(s)P(s)ds\\ &\Rightarrow C_1^*=\left(e-\frac{eT}{L^*}\right)\gamma\left(\frac{P_1}{P}\right)^{\frac{1}{\rho-1}};C_2^*=\left(e-\frac{eT}{L^*}\right)\gamma\left(\frac{P_2}{P}\right)^{\frac{1}{\rho-1}}.\end{aligned} \tag{7}$$

C_1^* and C_2^* are the foreign demand for a typical traded variety produced at home and abroad, respectively.

Note that all home producers in the traded sector behave in a symmetric way, such that one is representative of all. And the same can be said about the foreign traded sector firms.

2.2. Firms

The amount of labor required to produce a given quantity of traded goods by a typical producer in country s (s being either 1 for Home or 2 for Foreign) is assumed to be as follows:

$$L(s)=\alpha_s+\beta_s X(s) \tag{8}$$

α_s and β_s are fixed labor cost and variable labor cost, respectively.

The demand for a typical traded good is ultimately equal to its supply for market clearing, thus:

$$X(s)=LC_s+L^*C_s^*. \tag{9}$$

The profit maximization problem of a traded good producer, which chooses price given demand functions, is as follows:

$$\max_{P_1}(1-\tau_1)P_1LC_1+(1-\tau_2)P_1L^*C_1^*-\alpha_1-\beta_1X_1, \tag{10}$$

with

$$X_1=LC_1+L^*C_1^*,\ C_1=C_1(P_1),\ C_1^*=C_1^*(P_1) \tag{11}$$

The optimal prices are derived as follows:

$$P_1=\frac{K+1}{(1-\tau_1)K+(1-\tau_2)}\frac{\beta_1}{\rho}\ \text{(Home) and} \tag{12}$$

$$P_2=\frac{K+1}{(1-\tau_1)K+(1-\tau_2)}\frac{e\beta_2}{\rho}\ \text{(Foreign)}, \tag{13}$$

where

$$K=\frac{L+eT}{eL^*-eT}\equiv\frac{(1/e)+r}{1-r},\ \text{with } r=eT\Big/eL^*\ \text{and assuming } L^*=L. \tag{14}$$

2.2.1. Full employment condition

We assume that the totality of available labor in each country is fully

used during the production process. Meaning that the amount of labor used in the traded sector, added to the amount of labor used in the non-traded sector, is equal to L and L^* for home and foreign, respectively.

It thus follows that,

$$n\cdot\underbrace{(\alpha_1+\beta_1 X_1)}_{L_1}+\underbrace{(1-\gamma)\left(1+\frac{eT}{L}\right)}_{L_0}L=L,\ \text{(Home)} \tag{15}$$

where L_1 is the labor used by a typical traded good firm at home, and L_O is the total labor required to produce the aggregate amount of non-traded goods demanded by the home households. A similar relationship holds for the foreign country.

2.2.2. Zero profit condition

It is assumed that in the long-run traded sector firms in either country make no economic profit. That is,

$$(1-\tau_1)P_1LC_1+(1-\tau_2)P_1L^*C_1^*-\alpha_1-\beta_1X_1=0.\ \text{(Home)} \tag{16}$$

3. Analysis

The resource curse can generally be broken down into two effects. The first is the effect of incoming transfers on the domestic industry in terms of quantities produced or industrial activity (Corden and Neary, 1982), and the second is the ensuing permanent loss in accumulated technology through mechanisms such as learning-by-doing (Krugman, 1987).

In the present work, we will focus on the effect of transfers on domestic industrial output rather than on accumulated technology. This is mostly because a similar demonstration as in the second part of Cherif (2013) would still be enough with this extended framework for showing that a negative effect of transfers on industrial activity does translate into a permanent loss in productivity in the long run.

In the same way as Cherif (2013), we will use the amount of labor used in the traded sector as a measure of industrial activity at home. Meaning that a relative fall in the quantity of labor used in this sector would be a loss in industrial activity at home (and eventually a permanent loss in productivity).

We will first consider the case in which both countries are charging both domestic and foreign firms the same tax rates on traded goods sold to their respective households. In other words, firms in both countries are subject to the same tax rates in both countries.

Subsequently, we will consider the case in which each government is charging discriminatory tax rates in favor of their domestic firms.

3.1. Case 1: Symmetric tax rates

Assuming equal tax rates on sales in both countries, for both domestic and foreign firms, leads to the following equilibrium relationships for the home country:

$$\frac{P_1}{P_2}=\frac{\beta_1}{e\beta_2}, \tag{17}$$

$$e=\left(\frac{\beta_1}{\beta_2}\right)^{\rho}\left(\frac{\alpha_1}{\alpha_2}\right)^{1-\rho}, \tag{18}$$

$$X_1=\frac{\rho}{1-\rho}\frac{\alpha_1}{\beta_1}. \tag{19}$$

Just as in the no-tax case analyzed by Cherif (2013), the relative equilibrium price of the traded goods, the ratio of wages as well as the quantity produced by a typical traded good producer are all constant. And with the later quantity unchanged by higher transfers, the only channel through which transfers affect labor employed in the home traded sector remains through the number of monopolistically competitive firms operating in the sector, n (Eq. (15)).

The effect of an increase in transfers on said n is obtained as follows:

$$n=\frac{1-\rho}{\alpha_1}(\gamma-(1-\gamma)\text{er})L,\ \text{(from eq.15)} \tag{20}$$

and

$$\frac{\partial n}{\partial r}=-(1-\gamma)\frac{1-\rho}{\alpha_1}eL,\ \text{where } e \text{ is constant.} \tag{21}$$

The effect is negative and constant, given L. This means that even when both countries adopt taxes on sales, the tax rates do increase the prices of traded goods produced in both countries (Eqs. 12 and 13), but do not influence the (negative) effect of higher incoming transfers on traded sector employment.

3.2. Case 2: Non-symmetric tax rates

Here we analyze the effect of transfers when the countries adopt a discriminatory taxing scheme. We will assume that each country exempts their domestic firms from paying sales tax, meaning that the home tax, τ_1, is only levied on foreign firms' sales at home and vice-versa.

With those assumptions, we obtain the following equilibrium relationships:

$$\frac{P_1}{P_2}=\frac{(1-\tau_1)K+1}{K+(1-\tau_2)}\frac{\beta_1}{e\beta_2}, \tag{22}$$

$$e=\left(\frac{(1-\tau_1)K+1}{K+(1-\tau_2)}\right)^{\rho}\left(\frac{\beta_1}{\beta_2}\right)^{\rho}\left(\frac{\alpha_1}{\alpha_2}\right)^{1-\rho}, \tag{23}$$

$$X_1=\frac{\rho}{1-\rho}\frac{\alpha_1}{\beta_1}. \tag{24}$$

And the number of home firms in the traded sector is:

$$n=\frac{1-\rho}{\alpha_1}(\gamma-(1-\gamma)er)L, \tag{25}$$

where e, this time, depends on r and the tax rates.

The wage ratio e depending on transfers and the tax rates indicates not only that, in the presence of asymmetric taxing, the effect of transfers on traded sector employment partially depends on its effect on the wage ratio, it also indicates that this effect potentially depends on the level of tariff rates in both countries. This contrasts with the preceding case or even with the original no-tax framework analyzed by Cherif (2013), in which cases transfers have no bearing on the wage ratio whose equilibrium value is constant.

3.3. Effect of transfers on n, a threshold tariff analysis

From Eq. (25), the effect of an increase in transfers on n (thus on traded sector employment, since X is constant) can be represented as follows:

$$\frac{\partial n}{\partial r}=-f\left(\frac{\partial}{\partial r}er\right), \tag{26}$$

where e depends on r and f is a positive function. The equation suggests two channels through which transfers affect n and traded sector employment. First, transfers directly increase the income of the receiving households, leading to a shift of home labor towards the non-traded sector, a reduction in the number of firms in the traded sector at home (together with employment in the sector) and a rise in traded sector employment in the foreign country (and in traded goods imported from the foreign country). This is the unique effect observed in the preceding cases. Second, in the present case transfers affect traded sector employment also through their effect on the ratio of foreign wage to home wage. This means that in addition to the first shift in the relative income of the countries provoked by the transfers, analyzed by Cherif

(2013), tariffs cause a second shift in the relative income through their effect on the ratio of wages.

In facts, substituting (14) in (23) and then totally differentiating yields

$$\frac{de}{dr} = -\frac{\tau_1 + \tau_2 e^{\frac{1}{\rho}}}{\frac{1-\rho}{\rho} e^{\frac{1-2\rho}{\rho}} + (1+(r-1)\tau_2)\frac{1}{\rho} e^{\frac{1-\rho}{\rho}} + (1-\tau_1)e^{-2}} \quad (<0) \tag{27}$$

This shows that the two channels drive two conflicting effects of transfers on n. The first and direct effect is negative while the second (wage effect) is positive.

Knowing that

$$\frac{\partial}{\partial r}(er) > 0 \Leftrightarrow \frac{\partial e}{\partial r} > -\frac{e}{r} \tag{28}$$

we obtain

$$\frac{dn}{dr} < 0 \left(\Rightarrow \frac{\partial}{\partial r}(er) > 0\right) \Leftrightarrow \tau_1 < A_0 - A_1\tau_2 \equiv \tau_{m,1} \tag{29}$$

where

$$A_0 = \frac{\frac{1-\rho}{\rho} e^{\frac{1-\rho}{\rho}} + \frac{1}{\rho} e^{\frac{1}{\rho}} + e^{-1}}{e^{-1}+r} > 0, \text{ and } A_1 = \frac{1+r(\rho-1)}{e^{-1}+r}\frac{1}{\rho} e^{\frac{1}{\rho}} > 0 \tag{30}$$

When both countries have tariffs in place, the effect of transfers on the number of traded sector firms in the receiving country remains negative until the tariff rate charged by the country is at or above the threshold level of $\tau_{m,1}$. Furthermore, since $\tau_{m,1}$ is decreasing in τ_2, more the foreign country charges in tariff, less the home country needs to charge in order to reverse the adverse effect of transfers on manufacturing employment.

Following Eq. (29), the transfers receiving country must charge a tariff rate above a given threshold in order to reverse the negative effect of the transfers on traded sector employment. However, there is no guarantee that such a threshold level is economically reasonable. Instead, we might want to look into establishing, in a continuous sense, that increasing tariffs decreases the negative effect of incoming transfers on manufacturing employment.

3.4. Effect of transfers on n, continuous analysis

The effect of transfers on traded sector employment is represented as follows:

$$\frac{\partial n}{\partial r} = -f\left(\frac{\partial}{\partial r} er\right) \equiv g(\tau_1). \tag{31}$$

Although the relationship represented by $g(\tau_1)$ is mathematically known (Eq. (27) making it possible to obtain the said equation), its derivative with respect to τ_1, which represents how the effect of r on n is itself affected by the home tariff rate, cannot be straightforwardly obtained. We will therefore resolve to numerical methods to complete our analysis.

Since technology is not the focus of our study, we will assume the following parameter values:

$$\beta_1 = \beta_2 = \alpha_1 = \alpha_2 = 1,\ \rho = 0.7,\ L = L^* = 1,\ \tau_2 = 0.2 \tag{32}$$

With these values, the relationship between n and r is represented under different tariff rates, and the result is shown on Fig. 1. This numerical analysis result does suggest that higher domestic tariff rates lessen the negative effect of transfers on manufacturing sector employment.

In the following section, we will go about providing cross-country empirical evidence to this theoretical claim.

4. Empirical evidence

4.1. Data and methodology

The empirical analysis in this study relies on a panel dataset comprising 40 developing and emerging economies, the majority of which are in the sub-Saharan African region, covering all years from 2004 to 2021. The output variable of interest is the labor share in the manufacturing sector, measured as its proportion in total employment. This dependent variable was regressed on relevant independent variables, namely the weighted mean tariff rates charged by the countries, the ratio of natural resource output to GDP, and their interaction term.

Data for the tariff rates and natural resource dependence were sourced from the World Bank Open Data databases (World Bank, 2024), ensuring a reliable and comprehensive basis for analysis. The labor share data was retrieved from the United Nations Industrial Development Organization (UNIDO, 2024) and the International Labor Organization (ILO, 2024).

A notable methodological challenge in this analysis was the high frequency of missing data per cross-sectional unit, ultimately making the use of a fixed-effects regression model to be avoided. Instead, to maximize the utility of all available data points and capture any shared and broader patterns, the study employed a pooled regression framework. This approach treats the data as a cross-sectional panel, allowing for an

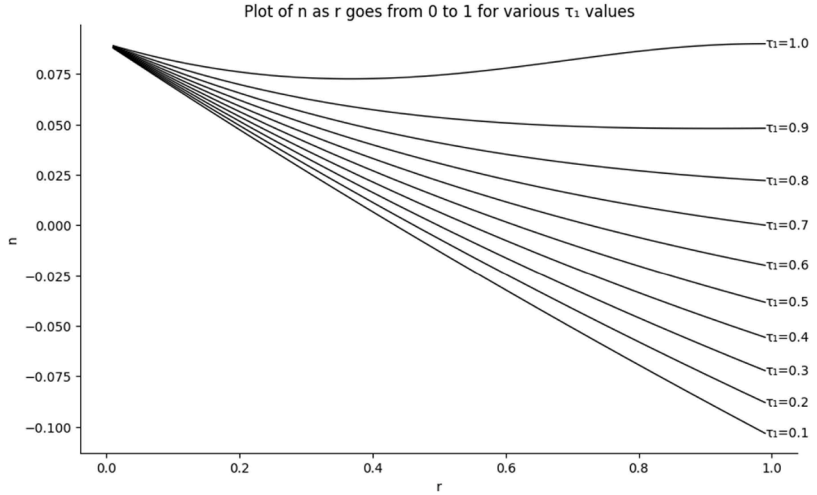


Fig. 1. Effect of r on n under different domestic tariff rates.

inclusive examination of trends across the diverse dataset instead of focusing on country particularities. The missing data points were replaced with the nearest known values (with more recent values prioritized).

Through this approach, the study aims to capture any long-term relationships between tariffs, natural resource dependence, and labor share in manufacturing across developing and emerging economies. We believe that the long-term nature of our analysis minimizes the significance of any negative effects, of dealing with missing values in the way we have done, on our findings. This alternative method, however, does come at the cost of potentially overlooking individual country-specific variations.

The regression equation is as follows:

$$L_{\text{manu},it} = \beta_0 + \beta_1 \cdot \text{Tariff}_{it} + \beta_2 \cdot \text{NR}_{it} + \beta_3 \cdot (\text{Tariff}_{it} \cdot \text{NR}_{it}) + \epsilon_{it},$$

where:

- $L_{\text{manu},it}$: Labor share in the manufacturing sector in country i at time t.
- Tariff_{it}: Weighted mean tariff rates charged by country i at time t.
- NR_{it}: Ratio of natural resource revenues to GDP for country i at time t.
- $\text{Tariff}_{it} \cdot \text{NR}_{it}$: Interaction term between tariff rates and natural resource dependence.
- β_0: Intercept term.
- $\beta_1, \beta_2, \beta_3$: Coefficients for the respective independent variables.
- ϵ_{it}: Error term.

4.2. Estimation results

The regression output is summarized in Table 1. The findings indicate a significantly negative effect of natural resource dependence on the labor share in the manufacturing sector. This finding supports the theoretical mechanism of the so-called Dutch Disease effect discussed earlier.

Next, the analysis revealed that domestic tariffs significantly mitigate the adverse effects of resource dependence on the manufacturing labor share. This interaction effect aligns with the predictions of our theoretical model, which suggests that protective tariffs can shield domestic industries from competitive pressures and foster the retention or growth of labor in manufacturing. By reducing the impact of resource-driven distortions, tariffs appear to play a moderating role in the relationship between resource dependence and labor dynamics in manufacturing.

Finally, although tariffs showed a positive correlation with the manufacturing labor share, this result was not statistically significant at commonly accepted confidence levels. This suggests that while tariffs may influence the distribution of labor in manufacturing, the effect is either weak or context-dependent, warranting further investigation. It highlights the possibility that other factors, such as broader trade policies, institutional quality, or labor market conditions, may also play substantial roles in shaping these outcomes.

5. Policy implications

Our findings suggest that tariffs do mitigate the adverse effect of resource exports on industrial activity domestically, and can even reverse this effect, by making more resource exports translate into more domestic industrial activity when the domestic tariff rate is above a certain threshold level.

In practice, adopting higher tariff rates as a protective measure for domestic industries can be a challenging policy to implement. Because of classical economic thinking (grounded in theories like the one of comparative advantage), tariffs are widely regarded as disruptive to international trade, and thus disruptive to global prosperity in some way.

However, this line of reasoning assumes that trade is always guaranteed from trade partners, and fails to consider any notion of technological sovereignty and self-sufficiency in a world where trade is all but guaranteed. Further, for resource-exporting developing economies, natural resources are exhaustible in many cases, and if the boom period is allowed to drive the domestic workforce out of industrial sectors, as shown through our model, then the country goes back to being at the mercy of international monopolies after the resource exploitation period, with permanent losses in technological growth domestically.

An exaggerated depiction of the above would be *a developed country using external demand (from developing countries) to maintain industrial activity and technological prowess (over the latter countries)*. In terms of policy response, tariffs can indeed seem negatively distortionary at first, causing higher domestic prices for instance, as found through our model. However, it is crucial to note that this is a period of boom for the resource-exporting country, and thus any such negative outcome is expected to less than offset the welfare benefits of the new imports affordable to the (still resource revenue-wealthier) domestic consumers anyway. In addition, the main benefit of the policy remains the gain (or avoided loss) in technology accumulation experienced by the resource exporting country during the boom, which makes them better off in the long run than had the tariff policy not been implemented during the said boom.

6. Conclusion

This study examines the role that taxation plays in the interaction between natural resource exports and domestic productive capabilities.

The theoretical framework, built upon Cherif (2013), demonstrates that taxation, particularly tariffs, can alter the dynamics of the Dutch Disease by influencing the employment distribution between traded and non-traded sectors. In the case of symmetric taxation, higher incoming transfers associated with resource exports invariably shift labor from the traded sector to the non-traded sector, reducing industrial activity. However, introducing asymmetric tax schemes, where domestic firms

Table 1
OLS regression results.

Variable	Coef.	Std. Err.	z	P>|z|	[0.025	0.975]
Intercept	8.3628	0.488	17.133	0.000	7.406	9.320
Tariffs	0.0572	0.039	1.464	0.143	−0.019	0.134
Natural_Resources	−0.2716	0.035	−7.725	0.000	−0.341	−0.203
Tariffs_NR	0.0184	0.003	5.982	0.000	0.012	0.024
Model Statistics:			Log-Likelihood: -	1870.4		
No. Observations: 645						
Df Residuals: 641			AIC: 3749			
Df Model: 3			BIC: 3767			
Diagnostics:	Prob(Omnibus): 0.000	Durbin-Watson: 2.305				
Omnibus: 84.010						
Jarque-Bera (JB): 114.655	Prob(JB): 1.27e-25	Skew: 1.009	Kurtosis: 3.437			

Notes: Standard Errors are heteroscedasticity robust (HC1).

are favored through discriminatory taxation, creates additional mechanisms to counteract this adverse shift. The asymmetric tax framework highlights how taxation can affect the wage ratio and thereby indirectly influence sectoral labor allocation through a second effect channel on the relative income of both countries besides the transferred amount.

The empirical analysis, using data from 40 developing economies over nearly two decades, supports the theoretical predictions. A higher dependence on natural resources correlates negatively with the labor share in manufacturing, consistent with the Dutch Disease hypothesis. However, protective tariffs emerge as a mitigating factor, reducing the distortionary effects of resource exports on the manufacturing sector. While the direct impact of tariffs on manufacturing labor share lacks strong statistical significance, the interaction between tariffs and resource dependence highlights the moderating potential of well targeted import taxes.

CRediT authorship contribution statement

Cece Cherif Delamou: Writing – review & editing, Writing – original draft, Visualization, Validation, Supervision, Software, Resources, Project administration, Methodology, Investigation, Funding acquisition, Formal analysis, Data curation, Conceptualization.

Declaration of competing interest

The author declares that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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