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The Use—and Abuse—of Tariffs

If Trump's goal is to reduce the trade deficit with China, forget it. But the threat could be useful.

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One possible objective might be to pressure China to reduce its $376 billion bilateral annual trade surplus, which the president frequently denounces. The Chinese government could accomplish this either by buying large quantities of American products or "voluntarily" reducing the country's exports to the U.S., as Japan did in the 1980s.

If that's the president's goal, it's deeply misguided. Reducing Chinese exports to the U.S. would deny American consumers the low-cost products they buy from China while doing nothing to reduce the global U.S. trade deficit. That's because the trade deficit reflects the reality that Americans consume more goods than we produce. To do that we must import the difference from the rest of the world.

Although the U.S. has trade surpluses with some countries and trade deficits with others, the total balance is negative. If the U.S. reduces the trade deficit with one country, it must increase the net trade deficit with others to keep the total unchanged. The U.S. could balance the trade deficit only if Americans increased their saving to make room for more domestic production.

A decline in the U.S. trade deficit with China would mean an equal increase in the trade deficit with other countries. If Beijing agrees to import more American products or to sell fewer goods to the U.S., Americans will sell less to other countries or buy more from other countries. A tariff threat that leads China to reduce its trade surplus with the U.S. would not have accomplished any change in America's global trade deficit.

A more judicious use of tariffs would give the Chinese government an incentive to stop stealing the intellectual property of U.S. companies. China now requires U.S. firms operating in China to form a "partnership" with a Chinese counterpart and share their technology with it. The Chinese use that stolen technology to compete with American firms in China and around the world. This unfair economic practice undermines American industry.

The Chinese requirement to share technology as a condition for doing business in China is explicitly forbidden by the World Trade Organization rules, which China agreed to when it joined the organization in 2001. The Chinese government says it is not in violation of the WTO rule because American companies "voluntarily" choose to do business in China with the understanding that they must have a Chinese partner. American companies say it isn't voluntary because they have no choice if they want access to an economy with 1.3 billion people and an economy nearly as large as America's.

The U.S. government filed a complaint with the WTO in March demanding an end to the Chinese practice, but as a result of U.S. experience with previous WTO complaints, American officials are not optimistic about a favorable decision. The European Union filed a similar complaint in June.

A negotiation with the Chinese under the threat of U.S. tariffs would be a more effective means of changing China's policy. The threat of punitive tariffs could lead the Chinese government to agree to allow U.S. firms to operate in China without local partners. If China did not live up to the agreement, the tariffs could be reimposed.

Chinese theft of U.S. technology is not a new problem. At their 2013 California summit, President Obama showed Chinese President Xi Jinping evidence gathered by the National Security Agency of Chinese hacking into the computer systems of U.S. companies. The U.S. and China ended that meeting with a communiqué stating that neither government would support cybertheft for commercial purposes.

It is more difficult to confirm whether the Chinese have honored that agreement than it would be to determine whether they were allowing American companies to operate in China without surrendering their intellectual property. But the NSA should review the evidence. Chinese desistance from cybertheft also should be a condition for tariff-free access to U.S. markets.

American policy to block the theft of U.S. technology is legitimate and desirable. But it is not the same as a U.S. policy to

try to prevent China from achieving its “Made in China 2025” goal of becoming a global leader in high-tech industries through its own research and investments. If the U.S. wants to retain the lead in technology manufacturing and services, it should support education in the U.S. and provide incentives for American firms to do the necessary investments and research. A trade war won’t get us there.

Mr. Feldstein, chairman of the Council of Economic Advisers under President Reagan, is a professor at Harvard and a member of the Journal's board of contributors.