<Practical Guide to Trade Policy Analysis>
<readme.pdf>

The Practical Guide to Trade Policy Analysis' website contains the material needed to perform the applications and exercises of chapters 1, 2, 3 and 6 of the Practical Guide to Trade Policy Analysis. It also contains solutions to applications and exercises of chapters 1, 2, 3 and 6.

This readme file is divided into three parts. Part I concerns the installation of the material necessary for running the applications and exercises (point 1). Part II describes the organization of the material (point 2). Part III discusses some technicalities (points 3 to 10).

PART I. INSTALLATION

The Practical Guide to Trade Policy Analysis' home page contains the present readme.pdf file (link at "How to use the application and exercise files"), which should be carefully read before extracting the material and starting to work with Stata. On the right side, under "Table of contents" you will find the pdf version of the Practical guide to TPA and links to each chapter's page. Under "Additional resources" you will find two Stata ado files ("renvars.ado" and "outreg2.ado") that have to be installed for most do-files to work (see point 8 below).

The first thing to do is to extract the files needed to perform the applications and exercises of chapters 1, 2, 3 and 6 in Stata. If you use a Windows-based computer, read point 1.a and skip point 1.b. If you use a Macintosh-based computer, read point 1.b and skip point 1.a.

1.a [Windows users] There are two options:

    i. <u>Bulk download</u>. On the home page of the Practical Guide, click "Install application files" and then click on the "Run" option. You will be able to extract the whole folder "Practical guide to TPA" to a computer drive of your choice (it could be a USB key or an external hard drive, on the condition that there are at least 2 GB available). You may also click on "Download application files", then click on the "Save as" option and save the folder to a computer drive of your choice. In this case, the folder will be zipped. To keep the correct file paths, you must choose the "extract" function of the unzip software.

    ii. <u>Chapter-by-chapter download</u>. On each chapter's page, click "Install application files" and then click on the "Run" option. You will be able to extract the chapter's subfolder "Practical guide to TPA/ChapterX", where X is the chapter of your choice, to a computer drive of your choice. You may also click on "Download application files", then click on the "Save as" option and save the folder to a computer drive of your choice. In this case, the folder will be zipped (as above, the "extract" function must be used to keep the correct file paths).

1.b [Macintosh users] There are two options:

    i. <u>Bulk download</u>. On the home page of the Practical Guide, click on "Download application files". The download of the whole folder "Practical guide to TPA" will start automatically. Upon completion of the download, copy the folder to your home directory (the one indicated with a stylized house in the finder). If your name is Tom Smith, your home directory is most likely called "tomsmith". Do not attempt to click on "Install all application files, because this extraction only works on Windows-based computers.

    ii. <u>Chapter-by-chapter download</u>. On each chapter's page, click "Download application files".
The download of the chapter's subfolder "Practical guide to TPA/ChapterX", where X is the chapter of your choice, will start automatically. Upon completion of the download, copy the folder to your home directory. Do not attempt to click on "Install application files, because this extraction only works on Windows-based computers.

PART II: DESCRIPTION OF THE MATERIAL

2 After completing Part I above, the general folder "Practical guide to TPA" will contain subfolders for each chapter:
- "Practical guide to TPA/Chapter1"
- "Practical guide to TPA/Chapter2"
- "Practical guide to TPA/Chapter3"
- "Practical guide to TPA/Chapter4"
- "Practical guide to TPA/Chapter6"

In the Practical Guide to Trade Policy Analysis, there are Stata applications and exercises concerning chapters 1, 2, 3 and 6. The folder for each of these chapters contains three subfolders ("Datasets", "Applications" and "Exercises") and a Stata do-file. For instance, in the folder "Practical guide to TPA/Chapter1" you will find:

- "Practical guide to TPA/Chapter1/Datasets"
- "Practical guide to TPA/Chapter1/Applications"
- "Practical guide to TPA/Chapter1/Exercises"

and the Stata do-file "Master_ch1.do". This latter do-file runs all the applications and exercises of chapter 1. Do not attempt to run this do-file before reading the instructions in point 3.

The subfolder "Datasets" contains all the datasets needed for all applications and exercises in the respective chapter. The subfolders "Applications" and "Exercises" contain sub-subfolders corresponding to the respective application or exercise. For instance, in the chapter 1 applications folder "Practical guide to TPA/Chapter1/Applications" you will find:

- "Practical guide to TPA/Chapter1/Applications/1 comparing openness across countries"
- "Practical guide to TPA/Chapter1/Applications/2 trade composition"

- "Practical guide to TPA/Chapter1/Applications/3 comparative advantage"
- "Practical guide to TPA/Chapter1/Applications/Other applications"

and in the chapter 1 exercises folder "Practical guide to TPA/Chapter1/Exercises" you will find:

- "Practical guide to TPA/Chapter1/Exercises/1_RCA, growth orientation and geographical composition"
- "Practical guide to TPA/Chapter1/Exercises/2_Offshoring and vertical specialization"

The Stata do-files needed to perform each application or exercises are contained in the respective subfolders. Before running any of these do-files, you need to follow the instructions in point 3.

PART III. PRACTICALITIES

3 The general folder "Practical guide to TPA", as well as each chapter's folder, contains the following Stata do-file:

- "directory_definition.do"

If you use a Windows-based computer, read point 3.a and skip point 3.b. If you use a Macintosh-based computer, read point 3.b and skip point 3.a.

3.a [Windows users] Line 1 of "directory_definition.do" reads as follows:

```
* global input "driveletter:\Practical guide to TPA"
```

(notice the asterisk at the beginning). Modify line 1 (and only line 1) by eliminating the asterisk and replacing "driveletter" with the letter of the drive where you extracted the files under point 1.a. If, for example, you extracted to the "E:/" drive, line 1 should read as follows:

```
global input "E:\Practical guide to TPA"
```

(notice the removal of the asterisk at the beginning). Run "directory_definition.do". The "global" directory called "input" will be set to "E:/Practical guide to TPA". After completing this step, you can run all the other do-files.

3.b [Macintosh users] Line 5 of "directory_definition.do" reads as follows:

```
* global input = "/Users/home directory/Practical guide to TPA"
```

(notice the asterisk at the beginning). Modify line 5 (and only line 5) by eliminating the asterisk and replacing "home directory" with the name of your home directory. In the Tom Smith example of point 1.b, your home directory is "tomsmith" and the modified line 5 should read as follows:

```
global input = "/Users/tomsmith/Practical guide to TPA"
```

(notice the removal of the asterisk at the beginning). Run "directory_definition.do". The "global" directory called "input" will be set to "/Users/tomsmith/Practical guide to TPA". After completing this step, you can run all the other do-files.

4 The general folder "Practical guide to TPA" also contains the following Stata do-file:

 "Master_ch1_ch2_ch3_ch6.do"

This do- file runs all the applications and exercises of chapters 1, 2, 3 and 6 (this could take a long time, depending on the performance of your computer and on the version of Stata you use). Assuming that:

i. the folder "Practical guide to TPA" that you have extracted (or copied) to your computer is readable and writeable (see point 5 below);
ii. your operating system provides enough memory (see point 6 below);
iii. if you are using Stata 10, you modify some do-files (as explained in point 7 below);
iv. the ado files "renvars.ado" and "outreg2.ado" are installed (see point 8 below),

the do-file "Master_ch1_ch2_ch3_ch6.do" should run without errors if you have correctly installed the files on your computer (as described in point 1) and specified the "global" path for Stata (as described in point 3).

5 The folder "Practical guide to TPA" that you have extracted (or copied) on your computer must be readable and writeable. If you are working on a Windows-based computer, you can check your disk properties by right-clicking on the folder, then click on "Properties". If you are working on a Macintosh-based computer, select the folder, press Command+I. Under "Ownership and Permissions" change it to Read & Write (if necessary). Click on the arrow beside "Details". Click on the "Apply to enclosed items" button at the bottom of the window. Click OK.

6 Some applications and exercises require a relatively large computational capacity. In such cases, the Stata do-file contains in one of the first lines the command: "`set memory 1g`". This amount of memory should normally be allocated if you are working on a computer with a modern processor and 2 or more GB RAM.

If your operating system refuses to provide memory (error message "`op. sys. refuses to provide memory`"), however, try reducing the amount of memory, for instance typing "`set memory 800m`". If you are working with Stata 12, the "`set memory`" command is redundant and you should not get any error message.

7 All applications and exercises have been run by the authors of the Practical Guide to Trade Policy Analysis with Stata 11 and Stata 12 for Windows and Macintosh. Applications and exercises of chapters 1, 3 and 6 can also be run with Stata 10 without any change in the do-files.

8 In most applications and exercises, some additional packages are used. To install an additional package, open Stata and type "`findit 'package'`" – where `'package'` is the name of the package needed (for instance, `outreg2`) – then click on the linked package name and follow the instructions.

Note that 'renvars.ado' and 'outreg2.ado' needed for some applications and exercises can also be downloaded from the TPA home page. In this case, the files need to be installed in your "ado/plus" directory, under the subdirectory corresponding to the first letter of the command. For instance, if your "ado/plus" directory is "C:/ado/plus", the outreg2.ado command needs to be installed under "C:/ado/plus/o" and the renvars.ado command under under "C:/ado/plus/r". To check the location of your "ado/plus" directory, open Stata and type "`sysdir`".

Installation directly from Stata with the "`findit`" command should be preferred, and you should opt for the manual installation just described only if Stata cannot connect to the Internet.

9 As explained in the main text, in chapter 3, it is necessary to run the Stata do-file "Practical guide to TPA/Chapter3/Exercises/Preliminary/TPPGravity.do" before running the do-files of the exercises. This is also noted on line 31 of the master do-file of chapter 3, "Practical guide to TPA/Chapter3/Master_ch3.do".

10 The folder for chapter 4 only contains the subfolder "Practical guide to TPA/Chapter4/Exercises". In it, you will find one additional subfolder for each of the four exercises with Excel files. The solutions to all exercises are in the Word file "Solutions.doc" in the main subfolder ("Practical guide to TPA/Chapter4/Exercises").

The do-files of application 1 and exercises 1 and 2 of chapter 2, respectively contained in the folders:

- "Practical guide to TPA/Chapter2/Applications/1_generating a tariff profile/i_importing the data into STATA"
- "Practical guide to TPA/Chapter2/Exercises/1_tariff profile"
- "Practical guide to TPA/Chapter2/Exercises/2_Ad valorem equivalents of non ad valorem tariffs"

include the option "`force`" in the command "`append`". This option is only viable with Stata 11 and Stata 12. If you are using Stata 10, you need to remove it, otherwise you will get the error message "`option force not allowed`". If you are using Stata 11 or Stata 12, do not remove it – it is necessary to append 'byte' variables to 'string' variables – so there is no need to change any do-file.