Putting Trade Flows Into Context

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Abstract

Contextual, often qualitative data are arguably the most important influences on economic action. However, they are notoriously difficult to capture in empirical economic models. This is most prevalent when modeling international trade flows that are the result of unaccountably many individual decisions, each influenced by subjective experiences. To include these determinants, we rely on recent advances in large language models (LLMs) and knowledge graphs to capture the richness of these types of data, without the assumptions usually required to fit them into quantitative models. We present a methodology for extracting structured trade-related knowledge from unstructured natural language texts of regional trade agreements using LLMs. This allows us to gauge the relevance of provisions made in bilateral agreements and open up new dimension of possible inquiry into the nature of bilateral trade flows.

1 Introduction