

The main objective of this thesis is to discuss the effects of foreign direct investment on international trade. The FDI are considered as an important source of skilled labour force, know-how and technological innovations. Thus, it is expected its positive impact on economic growth and export performance of host country. However, the theoretical and empirical evidence do not provide any clear statement dealing with relationship of FDI and international trade. In empirical part of the thesis, we apply the Gravity model on Czech and German data to investigate bilateral flows of FDI, exports and imports and to identify the possible relationship between FDI and trade flows. We came to the conclusion that there is no statistically significant relationship between these variables.