

## **Abstract**

The purpose of this thesis is to examine Austrian foreign trade and estimate this country's export function. The analysis is based on the gravity model in trade in log-log form, augmented by additional variables (adjacency, REER, institutional indices, etc.). Our panel dataset consists of 3396 observations of Austrian exports to 211 countries over the period of 1995-2011. First, we examine main export partners and SITC articles and we come to a conclusion that Austria is heavily oriented to Germany and SITC 7 (machinery and transport equipment). We employ FE and RE as estimation techniques and distinguish between them according to the Hausman test. We emphasise that panel data structure does matter and estimate the gravity equation twice – once as 17 cross sections and then as 211 time series. The most important determinants appear to be domestic and partner's GDP, bilateral distance, adjacency and a country being landlocked. Subsequently, we give different techniques to deal with zero and missing observations, and calculate relative trade potential realisation for year 2011. Most of the top-ten export partners seem to be over their potential.