

Abstract

The purpose of this study is to find the influence of common currency on the international trade development. The study deals with the Rose effect, which says, that the currency unions increase trade by more than 200%.

This thesis designs an extended gravity model of international trade where the economic characteristics of countries are combined with institutional and policy factors of trade, such as the EU common policies, impacts of the Euro or trade agreements and other factors, which lowers the transaction costs of trade, such as the quality of infrastructure. The thesis also deals with the data structure influence on the results of the estimation of gravity models and shows the problem which is not in common literature noted.

Compared to the common research, this thesis focus in detail only on Czech and German exports.