This paper analyzes the impact of increasing returns to scale and imperfect competition in international trade with a focus on the automotive industry and trade between the Czech Republic and Germany in this sector . Because increasing returns to scale can not exist in perfect competition, they promote the differentiation of products and manufacturers attempt to differentiate their products from the others and get their share in international trade. This gives rise to intra-industry trade, where countries trade in similar goods that may differ either in quality or in completely different characteristics. These into detail analyzed theoretical bases I try to apply to a case study of mutual intra-industry trade between Czech Republic and Germany with a focus on the automotive industry, which makes up about a quarter of the Czech Republic industrial output, accounts for approximately ten percent of the gross domestic product, while exports of road vehicles represent about 17% of total exports. Germany as a major trading partner of the Czech Republic and the world's number one superpower in exports of machinery and transport equipment, imports a substantial part of the production of the Czech automotive industry and also exports its own products of the industry to the Czech Republic. This work aims to analyze this trade and involved production.