.CZ

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> " Companies in the Czech Republic are not educated enough about e-commerce advantages and see the new technologies as untrustworthy...[the] solution is very problematic, since the business people's mentality is difficult to change."
>
> ***—Czech Internet executive***

> " Currently [an] Internet connection is not affordable for the general public due to its high [per] minute rate, making the Internet a tool just for certain income groups. Immediate liberalization of the telecommunications market should drop the prices for dial-up connections or bring new alternatives, like xDSL."
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> ***—IT executive, Czech Republic***

Since the breakup of its federation with the Slovak Republic, the Czech Republic has focused on its transition to capitalism. This process has prompted the liberalization of markets and the privatization of state-owned companies, steps that are required by European Union regulations.[1] Czech entrance into the EU remains a strong incentive for reform. The Czech Republic has proven to be a leader in Networked Readiness in Central and Eastern Europe, with its twenty-eighth overall ranking in the Readiness Index behind only Estonia within the region.

The country took the first steps to reform the telecommunications sector in 1995, when state-owned monopoly SPT sold about a third of its shares to KPN Dutch Telecom. Now called Cesky Telecom, the former SPT is still under government control (which owns 51 percent of the company), but is expected to be privatized in the near future, along with liberalization of both the local loop and long-distance telephony (Ranking in Effect of Telecommunications Competition: 38).

In the face of high costs, long waiting lists, and other barriers in the fixed telephony market, there has been a tremendous boom in mobile telephony, driven by foreign investment and competitive prices.

To extend public access to the Internet, Cesky Telecom recently announced plans to install public Internet kiosks in thirty cities across the country.[2] Facing declining revenues from public telephones as mobile telephony has become more popular, the company identified the need to compete more actively with the burgeoning Internet café culture (Ranking in Public Access to the Internet: 27).

The Czech Republic has proven to be particularly attractive to foreign companies because of the country's well-educated and computer-literate workforce (Ranking in Social Capital micro-index: 16) and low relative cost of labor compared to other OECD countries.

Electronic commerce in the Czech Republic started relatively early, but slow growth of the Internet, high telephone rates, and unreliable postal service have hindered its development (Ranking in e-Commerce micro-index: 32). The first Czech e-ventures emerged between 1994 and 1995, as e-commerce sites such as Web-based mall Shop.cz, and virtual employment office Jobs.cz were launched. Internet penetration at the time was still limited, however. Currently, with almost 10 percent of the population having Internet access, there are highly sophisticated ventures such as eCity, a "dot-cz" that has been used by more than 25 percent of the country's Internet users for online banking (which has become especially popular), online auctioning, and shopping.[3]

There is currently a moratorium on e-commerce taxation in the Czech Republic. This is likely to change, along with the intellectual property regime, with Czech entrance into the EU.

There is a general lack of ICT knowledge and awareness in the Czech business community as a whole, especially among small and medium enterprises (SMEs) that could benefit from e-commerce. This has limited the number of companies that have gone online. To provide greater incentives for e-commerce, the government granted a subsidiary to Cesky Telecom to build e-marketplaces. In 2000, the Czech government also created Central Address, an online one-stop shop for all information for public tenders and public auctions. As a result of another e-government initiative, 80 percent of customs declarations are now submitted electronically.[4]

Czech Republic

Key Facts

Population	10,200,000
Rural population (% of total population) 1999	25.34 %
GDP per capita (PPP)	US$13,721
Global Competitiveness Index Ranking, 2001–2002	37
UNDP Human Development Index Ranking, 2001 (adjusted to GITR sample)	28
Main telephone lines per 100 inhabitants	37.79
Telephone faults per 100 main telephone lines	20.27
Internet hosts per 10,000 inhabitants	155.52
Personal computers per 100 inhabitants	12.20
Piracy rate	43.00 %
Percent of PCs connected to Internet	12.75 %
Internet users per host	6.28
Internet users per 100 inhabitants	9.76
Cell phone subscribers per 100 inhabitants	42.42
Average monthly cost for 20 hours of Internet access	US$19.01

RANK

Networked Readiness Index	**28**
Network Use component index	**28**
Enabling Factors component index	**27**
Network Access	**29**
Information Infrastructure	31
Hardware, Software, and Support	26
Network Policy	**34**
Business and Economic Environment	33
ICT Policy	34
Networked Society	**20**
Networked Learning	23
ICT Opportunities	22
Social Capital	16
Networked Economy	**29**
e-Commerce	32
e-Government	30
General Infrastructure	25