

Indran Ratnathicam, *Harvard University*

“ Word-of-mouth plays a very important role in a country as small as Iceland, and no one wants to lag behind. Also, Iceland is an egalitarian society, which makes it easier to implement new ideas.”

—*IT leader in Iceland*

“ Not enough incentives exist for local content development given the limited size of the market.”

—*Icelandic IT analyst*

In spite of ranking second on the overall Networked Readiness Index, it is often forgotten that Iceland is one of the world's most technologically sophisticated societies. Citizens of Iceland have readily embraced ICTs as a natural complement to their communicative but geographically isolated culture, and the government has done much to advance ICTs as a tool to improve the country's internal services and economic connectivity to the rest of the world (Ranking in Effectiveness of Government ICT Programs: 4).

The people of Iceland have adopted new ICT services almost as quickly as they are offered. Iceland boasts the highest level of Internet connectivity in the world and the second-highest level of mobile connectivity (Ranking in Network Use component index: 1). The small, relatively concentrated population and high GDP per capita make infrastructure build-out less problematic (Ranking in Information Infrastructure micro-index: 8), and adoption of consumer technology more financially accessible, than in many other nations.

Iceland offers few barriers—legal, geographic, or economic—to the latest technological innovations, and is sometimes used as a test market for foreign companies. Advanced communications services have often reached Iceland before they are seen in most of the rest of the world. As in other Nordic countries, Iceland in the past two decades has adopted telebanking and other ICT infrastructures before the advent of mobile telephony or the Internet, and was able to migrate to subsequent technologies relatively quickly. Icelanders were among the first in the world to use text messaging, mobile bank transactions, and voice portals.

The Icelandic government has tailored its ICT policies to accommodate the population's affinity for technology, with an eye toward using ICTs to improve the economic climate. By law, telephone calls in Iceland are offered point-to-point at a single, fixed rate, eliminating domestic

long-distance and making communications more affordable in rural areas.

While the telecommunications market was officially deregulated in 1995, a law was enacted in January 2000, encouraged by an EU inquiry into telecommunications practice, mandating the opening up of Iceland Telecom's telecommunications network to independent providers. In combination with the competition offered by alternative networks, such as the one operated by Lina.net (a communications provider backed by the state-owned power company), even greater competition has been stimulated in the market (Ranking in Effect of Telecommunications Competition: 16).

Broadband access is becoming increasingly widespread (Ranking in Availability of Broadband: 10). Many ISPs offer broadband connections in the greater Reykjavik area, and both government and private companies have made investments in broadband infrastructure outside the city.

While Iceland is already a global leader in e-commerce (the majority of the population conducts its banking online)¹ and e-government, the government has identified these as priority areas for development between 2000 and 2002. Beyond the addition of a national webmaster to oversee the continued development of the national website, the Icelandic government has initiatives for online voting, public-access terminals in government offices, and internal management systems.² In e-commerce, Iceland is taking its regulatory lead from the European Economic Area, which uses EU guidelines for adoption of digital signatures and ISP rights and obligations. The Icelandic government is also reviewing its security requirements and its need, as a small market, for national technical standards.

Key Facts

Population	281,000
Rural population (% of total population) 1999	7.68 %
GDP per capita (PPP)	US\$29,167
Global Competitiveness Index Ranking, 2001–2002	16
UNDP Human Development Index Ranking, 2001 (adjusted to GTR sample)	7
Main telephone lines per 100 inhabitants	67.73
Telephone faults per 100 main telephone lines	35.00
Internet hosts per 10,000 inhabitants	1419.96
Personal computers per 100 inhabitants	39.15
Piracy rate	NA
Percent of PCs connected to Internet	36.27 %
Internet users per host	4.21
Internet users per 100 inhabitants	59.79
Cell phone subscribers per 100 inhabitants	66.97
Average monthly cost for 20 hours of Internet access	US\$11.24

RANK

Networked Readiness Index **2**

Network Use component index **1**

Enabling Factors component index **5**

■ Network Access **13**

Information Infrastructure **8**

Hardware, Software, and Support **17**

■ Network Policy **5**

Business and Economic Environment **4**

ICT Policy **6**

■ Networked Society **7**

Networked Learning **4**

ICT Opportunities **10**

Social Capital **8**

■ Networked Economy **10**

e-Commerce **9**

e-Government **3**

General Infrastructure **17**