

CONTENTS

I.	General Information	5
I.1	History	5
	<i>Burdens of the Past: The Sudeten German Problem</i>	7
I.2	Geography	10
	<i>The Czech Republic Entering NATO.</i>	11
I.3	Population	13
	<i>The Romany Population: Unresolved Ethnic Issues</i>	14
II.	Political Development	16
II.1	Constitutional System	16
	<i>State Representatives in 1998</i>	16
II.2	Electoral System	17
	<i>Major Political Parties in the Czech Republic</i>	18
II.3	New Electoral History of the Czech Republic	20
	<i>Three Minority Governments and Political Instability.</i>	21
II.4	Regional Administration	24
	<i>Municipal Elections in 1998</i>	26
III.	Macroeconomy	27
III.1	Gross Domestic Product	27
	<i>Inflation and the CNB</i>	30
III.2	Investments	32
III.3	Debt	33
III.4	State Budget	34
III.5	Inflation	35
III.6	Exchange Rate	36
	<i>Convergence of Macroeconomic Fundamentals in Central and Eastern European Countries</i>	37
IV.	Microeconomy	39
IV.1	Current Privatization Status	39
IV.2	Privatization and Enterprise Restructuring	40
	<i>Corporate Governance</i>	42
	<i>Incestuous Ownership</i>	43

	<i>Internet against Monopoly</i>	44
	<i>Cellular Phone Competition: Monopoly Becomes Duopoly</i>	45
	<i>Business Environment</i>	47
IV.3	Bank Privatization Issues	49
IV.4	Czech Capital Markets	50
	<i>Relationship between Stock Market Returns and Economic Factors for Visegrad Countries</i>	52
V.	Foreign Trade	54
V.1	Exports and Imports by Groups of the Countries	54
V.2	Exports and Imports by Commodity Groups	55
VI.	Work and Pay	57
VI.1	Human Capital	57
VI.2	Earnings	59
	<i>Returns to Education</i>	61
VI.3	Unemployment	63
	<i>Foreign Employment</i>	64
VI.4	Social Welfare	66
VII.	Ecology	67
VII.1	Legal Status and Instruments	67
VII.2	Environmental Protection	67
VII.3	Wastes	69
	<i>Implementation of Environmental Protection Expenditure Account (EPEA) in the Czech Republic</i>	71
VIII.	Czech Republic and European Union	72
VIII.1	From Association to Full Membership	72
	<i>CEEC Enlargement</i>	74
VIII.2	European Union as a Major Trade Partner of the Czech Republic	76
IX.	Comparative Statics	79
X.	Forecasts	82