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ČEZ and the flyover effect



A top business story this week in Germany is the closing of the last factory there for making mobile phones. Nokia will shut its "Handy" plant in Bochum and move 2,300 jobs to Romania or other sites in Europe. These are just the kinds of jobs the CR is seeking in its effort to wean itself from overdependence on the auto industry. The CR is winning a share of such high-tech investment, to be sure, but Nokia and others are leapfrogging it because of the lower costs and quick infrastructure growth further East. ČEZ is contributing to this flyover effect in two ways. First, by rapidly raising domestic electric rates that deter investors. And second, by using its thick margins at home to fund its aggressive foreign expansion. Czech energy payers are in essence subsidizing infrastructure in Romania, Bulgaria, etc., that these countries can then use to compete for new jobs that might have gone to Czechs.

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