

International Business Expansion:

*Comparative Impressions Concerning
Views of Electronic Engineering Times and
Electronics Supply & Manufacturing Issues
Readers on Global Expansion Issues*

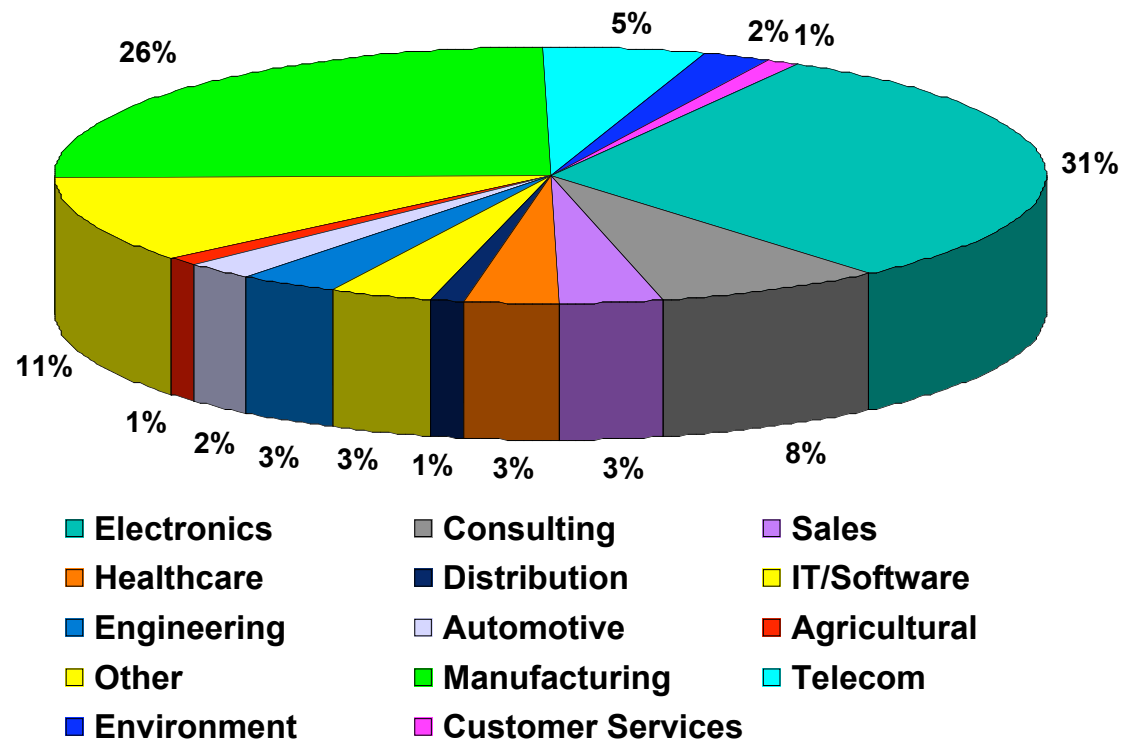
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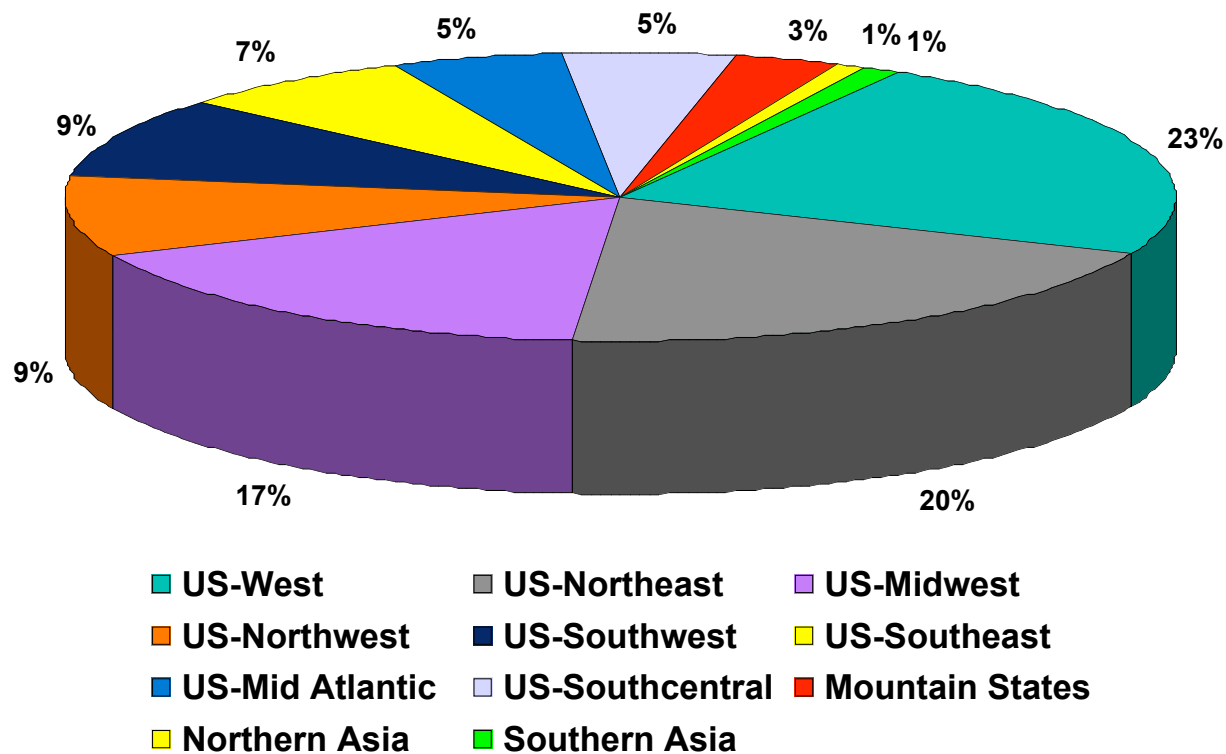
To Assess the Evolving Perceptions of Senior Executives in the U.S. Electronics, Technology and other Targeted Industries Concerning International Business Expansion, CMP Media LLC (CMP) Retained KWR International, Inc. (KWR) to Conduct the Following Survey

- After identifying key research priorities and issues, a questionnaire was prepared and approved for distribution;
- CMP and KWR targeted approximately 30,000 senior executives drawn from a database of Electronic Engineering Times (EET) and Electronics Supply & Manufacturing (ESM) readers;
- Respondents were limited to individuals working for U.S.-based firms based or serving U.S. firms overseas;
- Invitations were e-mailed twice to these targets during July 2005;
- 165 responses were received; and approximately two dozen respondents contacted for more in-depth telephone interviews; and
- Further analysis gave rise to the following data and analysis.

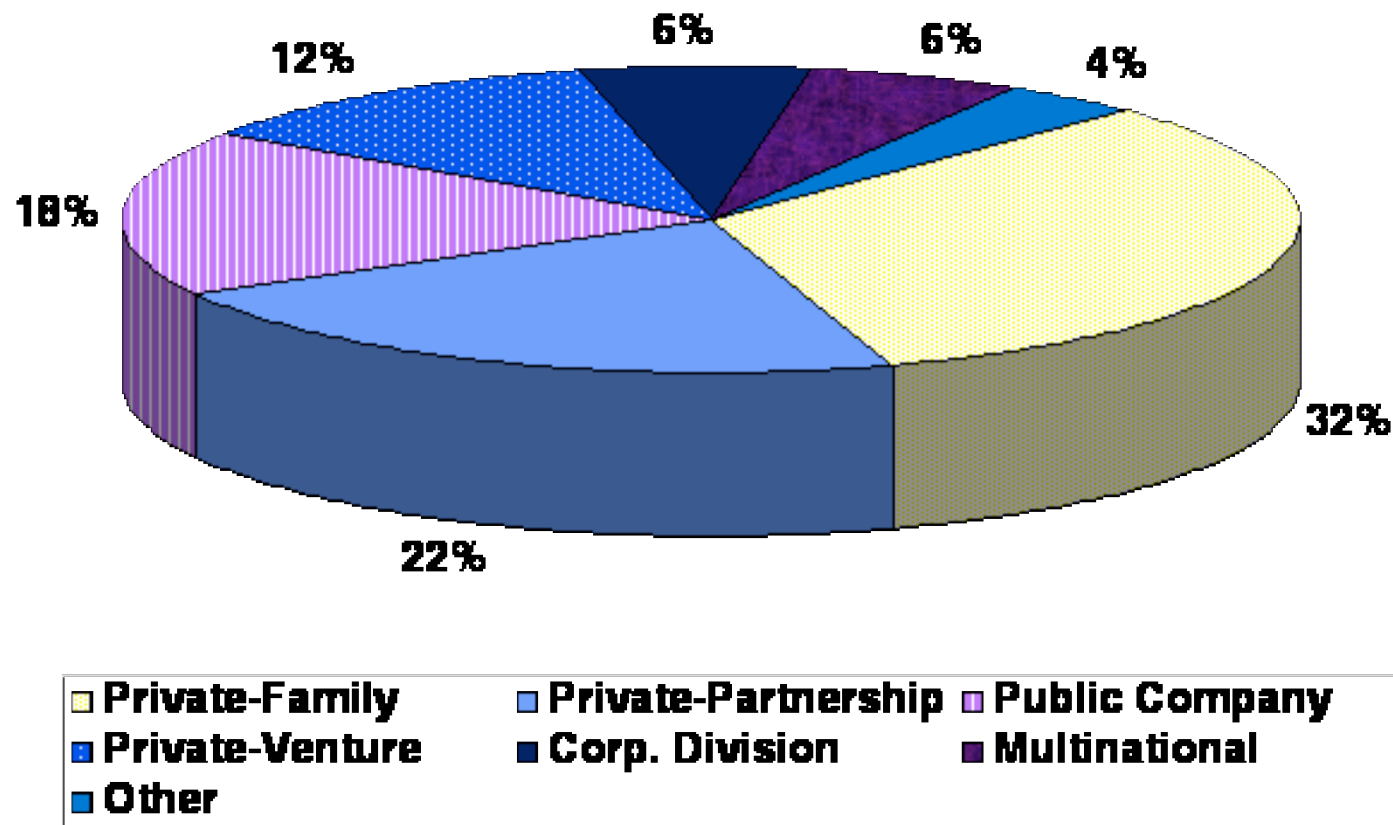
Respondents Were Drawn From A Wide Range of Industries --
with an Emphasis on Electronics, Technology and Manufacturing



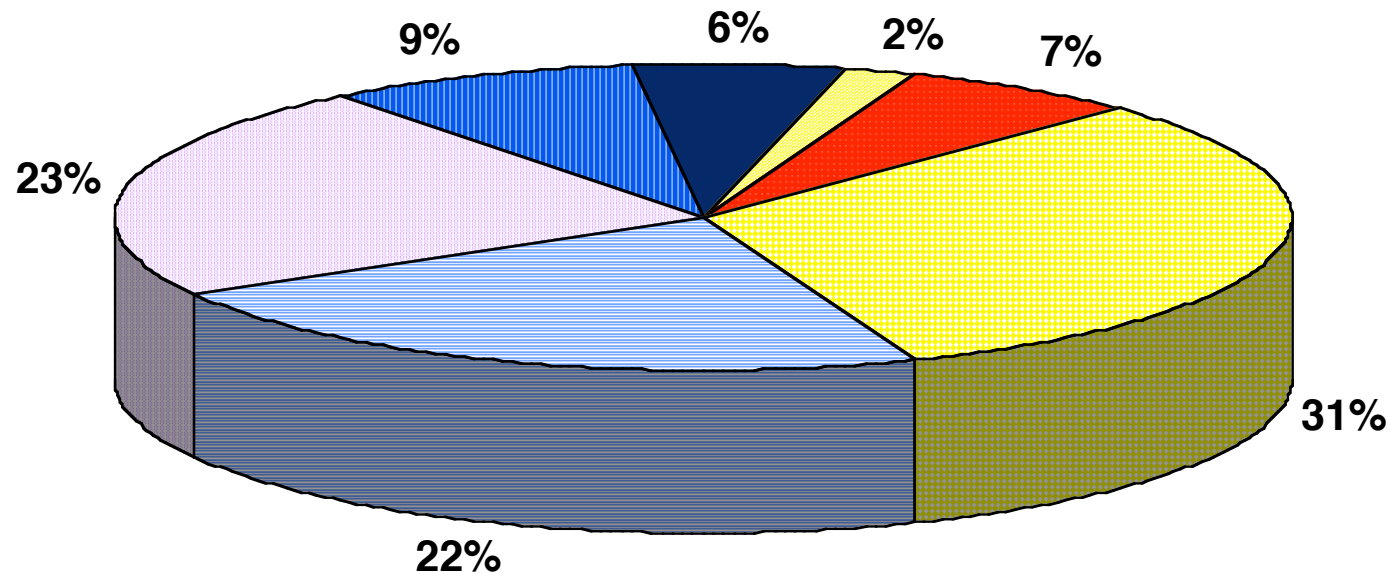
Stationed Across United States, with Minimal
Additional Input from Asia



Respondents Were Drawn From Public as well as Private Firms

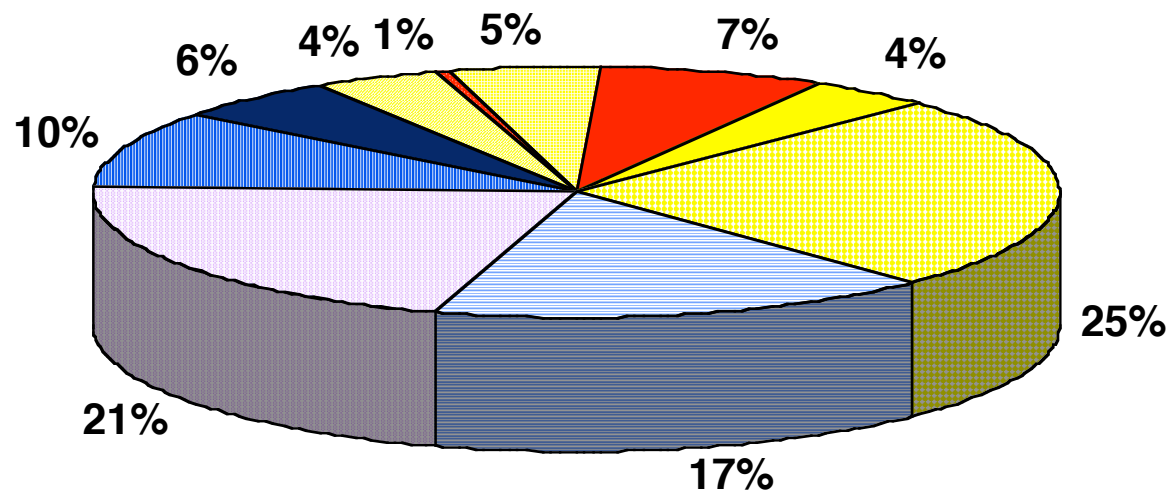


... Ranging from Small Consultancies to Large Multinationals



■ Under \$1 million ■ \$1-5 million ■ \$10-49.9 million ■ \$50-99 million
■ \$100-499.9 million ■ \$500-999.9 million ■ Over \$1 billion

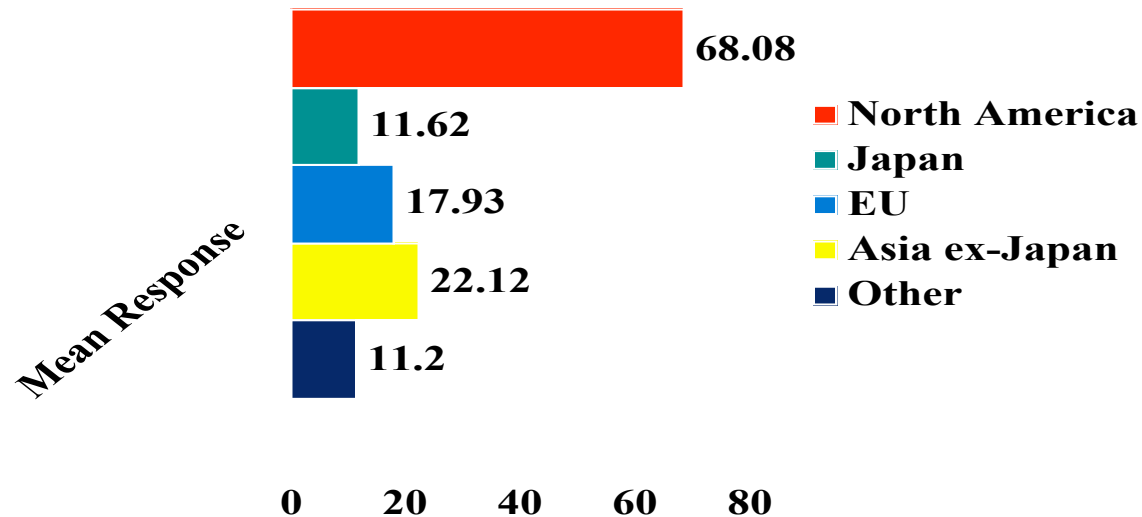
Including Those With Established Overseas Operations and Those Not Interested in Foreign Expansion



- Overseas operations
- Overseas marketing
- Researching
- Unsuccessful
- Not interested
- JV's, licensing & distribution
- Export Sales
- Not active but interested
- Not yet developed strategy
- Other

- “My company represents US companies that make unique and highly differentiated technological products.”
- “We are primarily focused on consulting and management education.”
- “Company has expanded global marketing effort, but after 9/11 there were disincentives to this.”
- “Maintain an active foreign presence using our own sales, marketing and engineering resources based in US.”
- “Company focuses on foreign export management services.”
- “We will accept non-EU international business, but not solicit it.”

Respondents Generate Revenues Primarily in US -- Though Have Substantial International Presence



What percentage of your annual revenues is derived from the following markets? (The total sum must equal 100%) ***Note: responses do not total 100% as they indicate mean response for each market***

Respondents Included a Cross-Section of Executives From Senior Executives to Line Managers

- Included in the 165 responses were individuals including:
 - CEO/ Pres./Owner (32)
 - Senior VP/VP (26)
 - Director Engineering (5)
 - Director Manufacturing (3)
 - Manager, Electronics
 - Technology Advisor
 - Director of Engineering
 - Training Mgr., Design
 - COO, Tech Firm
 - General Manager
 - Business Development Manager
 - Technical Marketing Manager
 - Global Products Group Mgr.
 - Assembly R&D Engineer
 - Market Comm. & Research Mgr.
 - Business Unit Manager
 - Staff Compliance Engineer
 - Dir. Of Elect & System Engineering

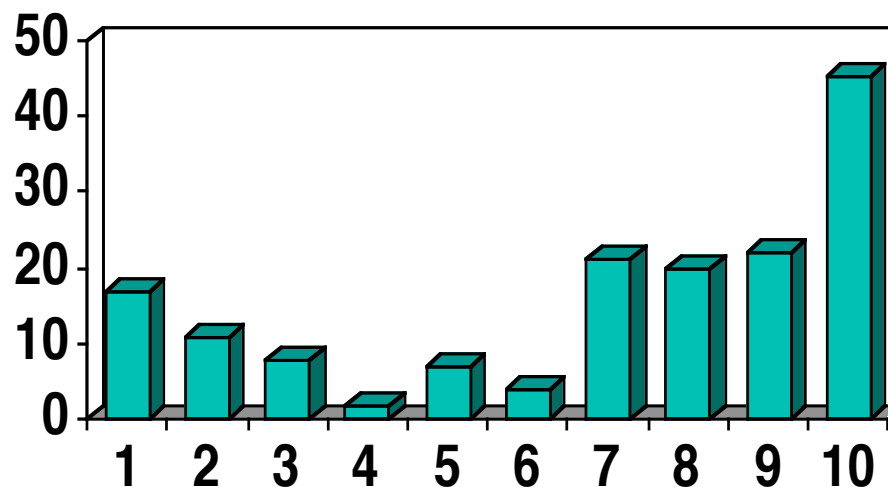
Though, given the specialized selection process, this should not be interpreted as an unbiased “snapshot” of the U.S. Electronics/Technology Industry

Respondents with More Interest and Knowledge Tend to Be More Responsive as well as More Aware

- While the absolute number of respondents is not large in comparison with number of EET/ESM readers who received an invitation, the time needed to complete, and complexity of questionnaire, likely led only the most interested and knowledgeable to reply;
- This resulted in a small, focused sampling, who are more likely to be internationally-oriented/knowledgeable than the average U.S. electronics/technology executive or EET/ESM reader;
- The bias toward more responsive and informed respondents and sampling methodology utilized means the data should not be interpreted as representative of U.S. electronics/technology executives, or EET/ESM readers as a whole, but as a telling indicator of the views of this cross-section of individuals, most of whom are either informed and involved, or have a desire to learn more about, international business expansion and other related issues;
- In addition, one of the more notable findings was the high deviation in respondent views*, making it difficult to make definitive statements given the wide divergence of opinions;
- As a result, some of the differences between rankings were fairly marginal. Given the potential for statistical error, the findings should be viewed with that in mind; and
- The number of respondents for each question is also a telling indicator.

** The deviations in this survey were, on average, the highest ever recorded by KWR in the dozen+ perception surveys it has conducted over the past ten years. Given how this audience was selected, one might imagine an even wider divergence among EET/ESM readers as a whole.*

Most Respondents Recognize the Importance of International Expansion to their Long-Term Success



| | | | |
|-----------|--------|------|----------|
| Responses | Median | Mean | St. Dev. |
| 163 | 8 | 6.93 | 3.18 |

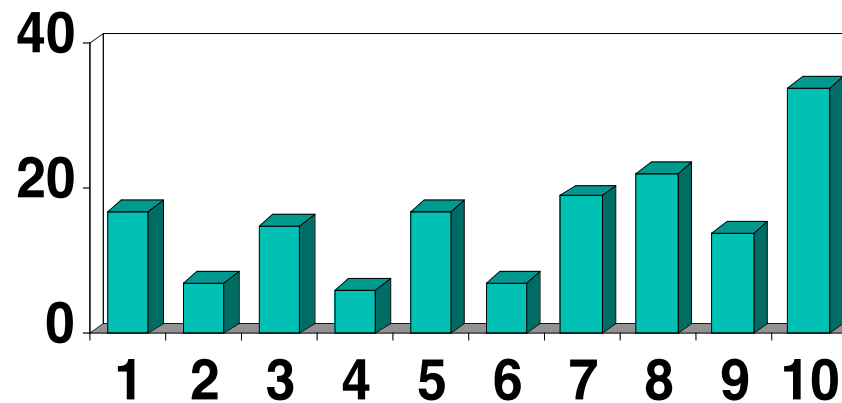
1) Do you believe international expansion is critical to the success of your business over the long term?
(Please answer on a scale of 1-10, 1 indicating not at all important and 10 indicating extremely important.)

- “My firm helps North American companies capitalize on Eastern European technical talent via project based engagements and setting up managed, remote-staffs. We are dependent on global expansion of the labor market.”
- “Each market outside of North America poses their own unique challenges. However, expansion into these new markets will allow less dependence on North American based business to achieve growth goals.”
- “I believe wholeheartedly the US economy is going to have a problem due to China's business expansion within the near future.”
- “Without help from the US government, my company may struggle to remain competitive over the next 10 years.”
- “To prosper, I believe that all major manufactures must compete in the world market.”
- “Our firm has already sourced development to an international location. However, we maintain no international sales.”

- “My firm has been forced to expand in China by our customers, not that my product will be less expensive to manufacture in China, due to the fact we are not labor intensive. The real China issues are taxes and tariffs, high tax in the US and tariffs shipping products from US to China. We now produce product less expensive in US, due to China tariffs and shipping cost - but we must produce in China for our customers who assemble in China.”
- “Our firm is in the knowledge management business. Sharing the knowledge accumulated in the developed nations with those less developed is a key aspect of this business.”
- “Global expansion is planned over the next 4-10 years, as we endorse expansion into foreign markets.”
- “Manufacturing is moving overseas, mostly to Asia, and engineering services must follow the market.”
- “Seventy percent of our revenues now come from International markets.”

- “US based companies are competing internationally whether they realize it or not. They need to consider the implications of globalization and should determine what foreign companies are competing with them.”
- “Our firm sell electronic components and as long as the customers keep moving their factories to asia we have no choice but to follow.”
- “My company is expanding into high volume consumer and industrial products that will be manufactured offshore for foreign and US markets.”
- “We now manufacture products in China. We also source several private label products from other countries. The trend will be to engineer products in the US and continue to move manufacturing to other countries.”
- “Our company must manufacture in China to ship to Chinese customers due to politically imposed import restrictions and cost structure.”

... Though Significantly Less Consider it a Short-Term Priority ...



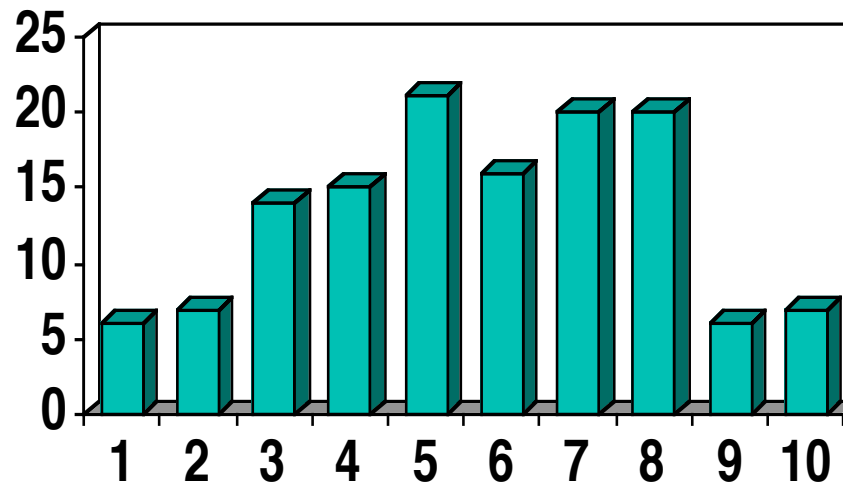
| | | | |
|-----------|--------|------|----------|
| Responses | Median | Mean | St. Dev. |
| 163 | 7 | 6.31 | 3.04 |

2) How important a priority is expanding your international business operations in the near future?
(Please answer on a scale of 1-10, 1 indicating not at all important and 10 indicating extremely important.)

- “In my view, current company priorities and limited manpower resources typically tend to delay the level of effort and support required.”
- “We will be closing my current US location within the next year and about 30 percent is relocating out of the US.”
- “It is essential to maintain an international presence in order to be profitable and competitive. It is dangerous to undertake manufacturing exclusively on foreign soil, and it is essential to understand the laws of the land wherever a business venture is established. The laws can only protect those who know how to establish protection a priori.”
- “My employer has invested heavily in China and Taiwan for the last several years and that has proven to be the right business move.”
- “We have plenty of market left in the US to keep us busy for quite some time. However, making a dent globally sooner rather than later is very important to us as well.”

- “We maintain offices and plants in the UK and China as well as our main facility in Pennsylvania.”
- “Our company primarily serve US customers, the only time we need foreign presence is when the CMs are overseas.”
- “We do not expect international sales to be important to our company, but will be probably be looking to Asia for at least connectors, and possibly circuit boards.”
- “Our firm has assembled sufficient business structure to support significant revenue without necessitating foreign expansion.”

.... And Fewer Still are Pleased with the Results they have Achieved



Responses Median Mean St. Dev.

132 6 5.66 2.34

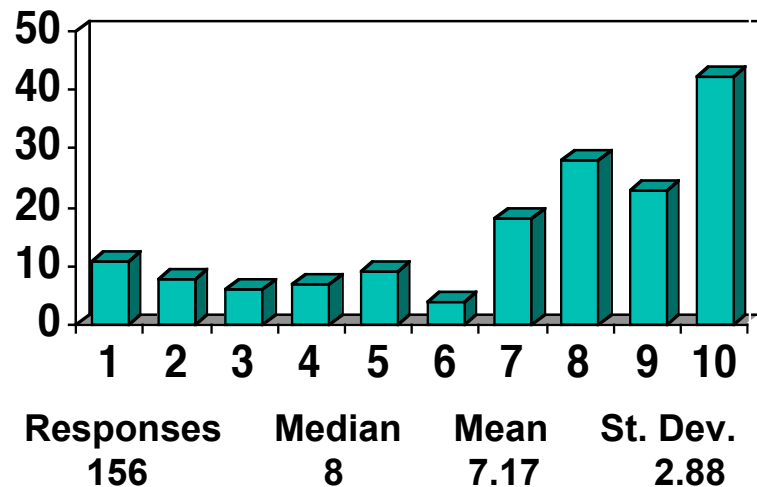
4) If you are already internationally active, are you pleased with the results you have achieved? (Please answer on a scale of 1-10, 1 indicating not at all pleased and 10 indicating extremely pleased.)

- “Our firms unachieved global potential has been disappointing.”
- “Licensing issues in China are and will continue to be a problem. Lack of enforced IP/copyright protections in China make profitable expansion in China a challenge.”
- “Our company has suffered losses from the South Korean economy collapse and the Tiananmen tragedy in 1989. On the whole, it is essential to take a longer view of the developing technology in other nations. The political aspects notwithstanding, South Korea is an excellent opportunity for expanding our corporate objectives.”
- “We are have been active in Europe, Taiwan and China. Due to the manufacturing shifts to Asia, we need to increase our activities to follow our customers.”
- “It is difficult to manage business long distance. Travel, cultures and languages are always major barriers.”

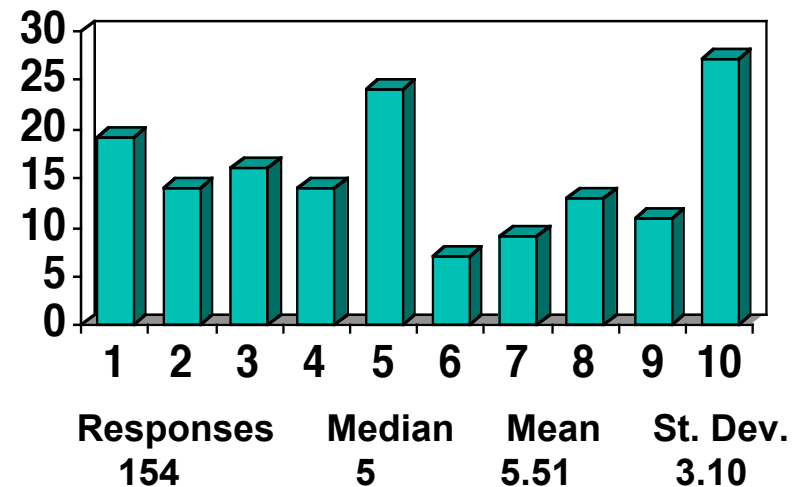
- “Most of the business we receive is because of our market niche. It isn't necessarily due to active marketing or sales.”
- “Takes a large investment effort to get foreign business. It is hard to determine potential profitability due to all of the variables, including politics, culture, economics, etc.”
- “US pricing policies prevent us from getting the most from the current export market.”
- “Successful outsourcing takes a long time to get established and requires a LOT of patience.”
- “India Design Center is a perfect example of Quantity vs. Quality. The productivity for hardware and software group is 50% of US productivity due to lack of skilled and experienced resources.”

Revenue Growth Rated the Most Important Motivation for International Expansion --- Far Above Cost Reduction

New Markets/Revenue Growth



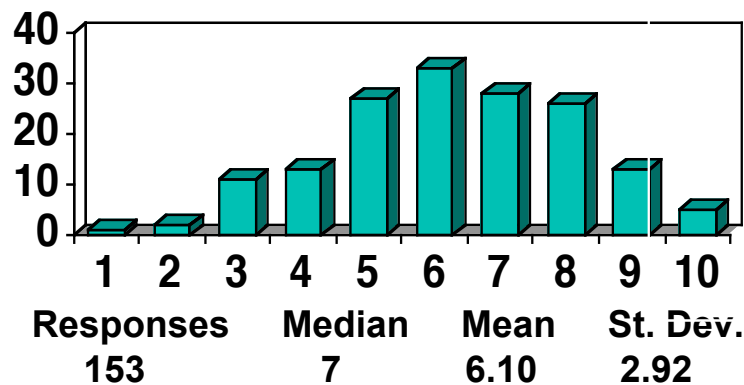
Reducing Costs



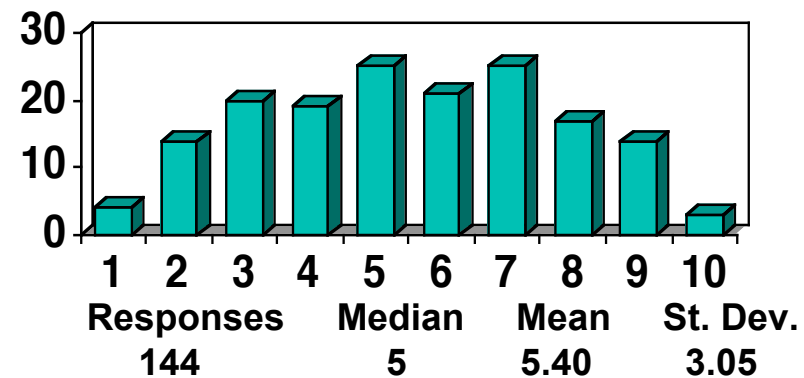
5) Please rate the following objectives according to their importance in motivating an expansion of your international business presence. (Please answer on a scale of 1-10, 1 indicating not at all important and 10 indicating extremely important.)

... Marking a Major Shift From a Supply-Oriented View Toward One That Focuses on Accessing Demand...

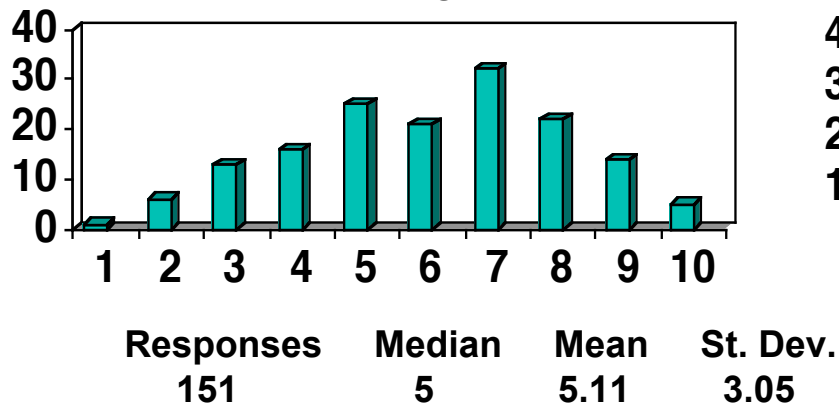
Distribution Point



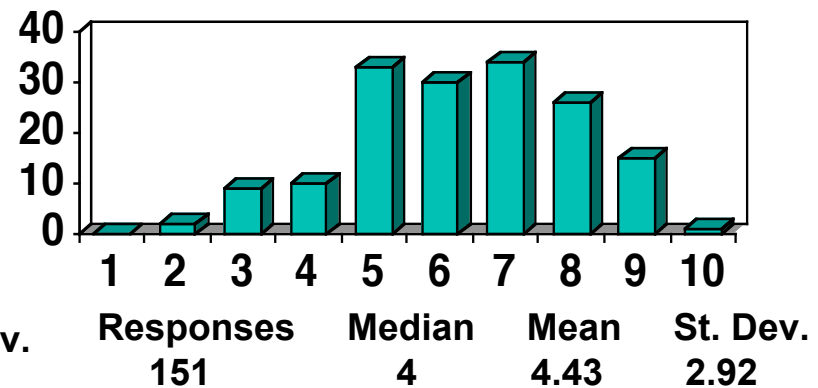
Manufacturing Platform



Product Sourcing

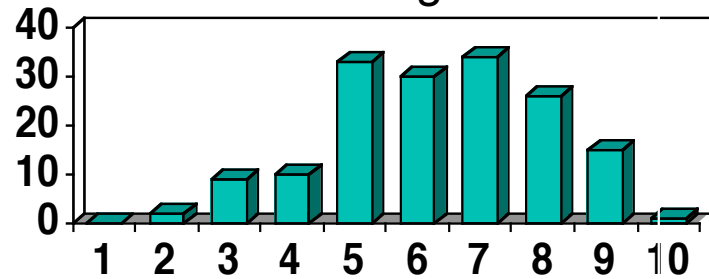


Engineering Talent



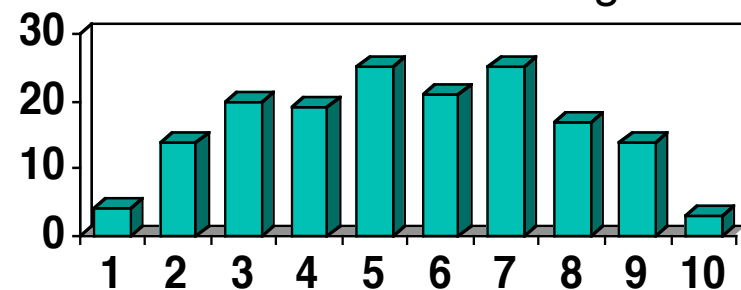
... Interestingly, R&D, Hardware Design and Software Development and Even Engineering Attracted Relatively Little Interest

R&D Monitoring



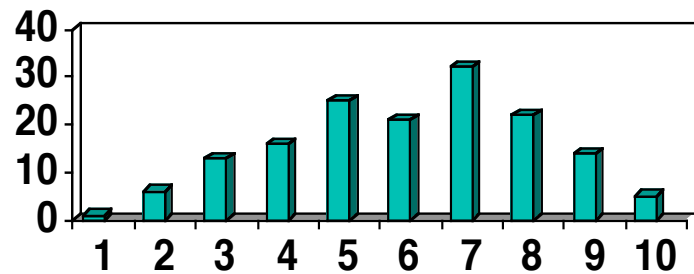
Responses Median Mean St. Dev.
146 4 4.38 3.02

Hardware Design



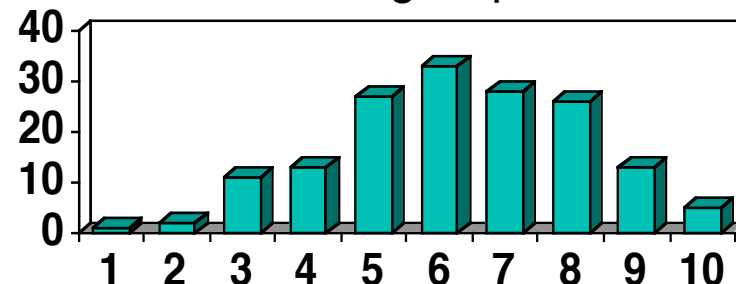
Responses Median Mean St. Dev.
141 3 4.11 3.0

Software Development



Responses Median Mean St. Dev.
145 3 4.05 3.17

Raising Capital

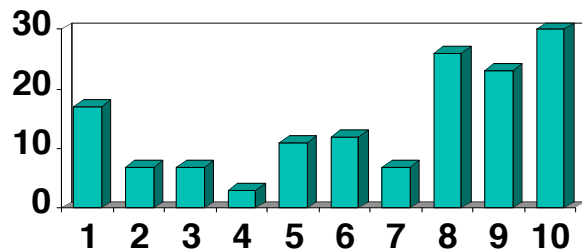


Responses Median Mean St. Dev.
145 3 3.86 2.99

- “With a weakened US dollar, foreign expansion is a great way to create supplemental revenue streams”
- “It is unwise to transfer corporate technology to nations that are unprepared to acquire it and safeguard it.”
- “outsourcing doesn't always work - too many problems with communication and quality. Also, many significant issues regarding protection of intellectual property.”
- “My company has lost over 65% of our client base (manufacturing operations) since the early '90's. International work is the only way to reclaim those opportunities.”
- “Some Pacific Rim countries offer good incentives to relocate manufacturing to their own country. However, comparable benefits can be found in the US and Europe.”
- “As a manufacturer, you have to go to where the customer is going to buy. Since China is becoming the 'factory of the world', the manufacturers of components need to build and sell there.”

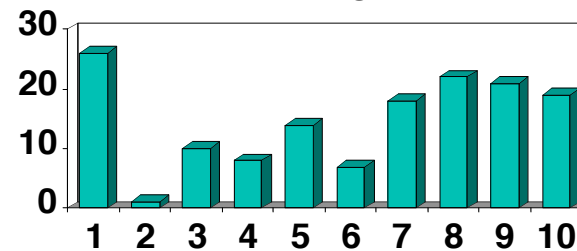
Respondents Emphasized U.S.-Based Solutions or Rep Offices Rather than More Resource Intensive Commitments

Export Sales



| | | | |
|-----------|--------|------|----------|
| Responses | Median | Mean | St. Dev. |
| 143 | 8 | 6.68 | 3.09 |

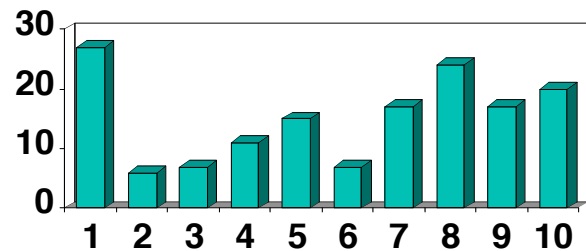
Marketing Trips



| | | | |
|-----------|--------|------|----------|
| Responses | Median | Mean | St. Dev. |
| 146 | 7 | 6.05 | 3.11 |

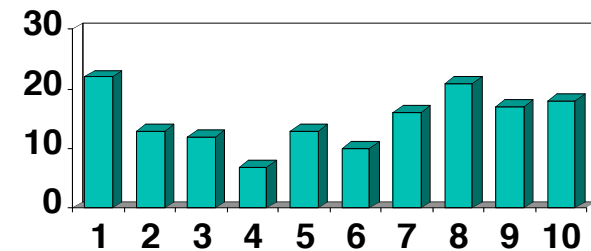
6) Please rate your potential interest in expanding overseas through the following expansion options. (Please answer on a scale of 1-10, 1 indicating not at all interested and 10 indicating extremely interested.)

Representative Office



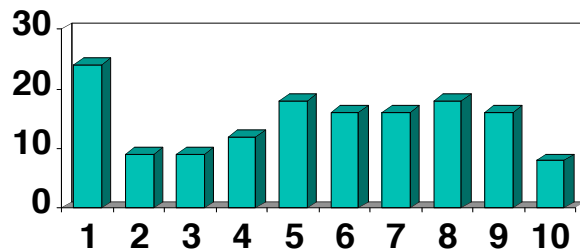
Responses **Median** **Mean** **St. Dev.**
 151 7 5.86 3.14

Licensing/Distribution Agreements



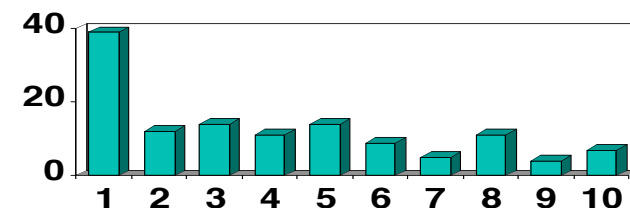
Responses **Median** **Mean** **St. Dev.**
 149 6 5.7 3.11

Joint Ventures/Partnership



Responses **Median** **Mean** **St. Dev.**
 146 6 5.36 2.87

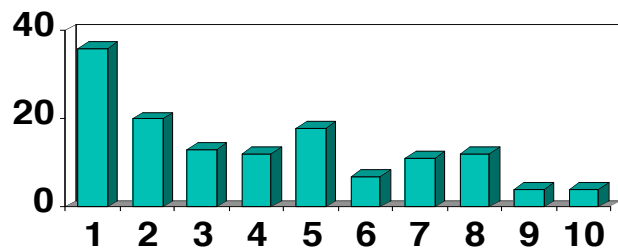
Prefer Initial Research



Responses **Median** **Mean** **St. Dev.**
 126 3 3.98 2.88

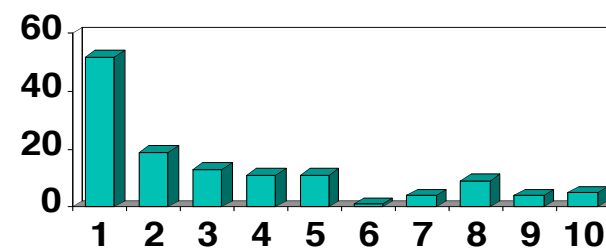
.... Making it Difficult to Visualize How They Will be Able to Effectively Access Growing Foreign Demand

M&A/Strategic Investment



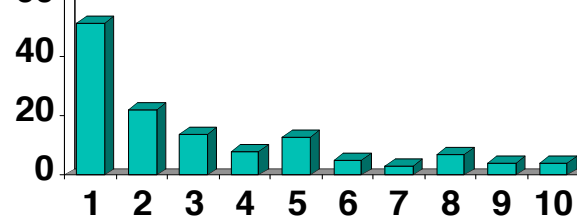
Responses 137
Median 3
Mean 3.97
St. Dev. 2.71

Greenfield Investment



Responses 129
Median 2
Mean 3.26
St. Dev. 2.74

Portfolio Investment

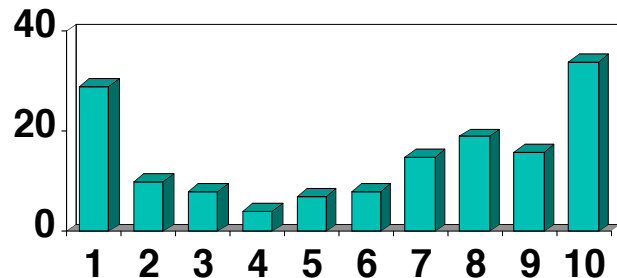


Responses 131
Median 2
Mean 3.18
St. Dev. 2.62

- “Communication is still a big barrier for the overseas business even though people speak good English. They can not understand very well each other.”
- “One of our former customers, a manufacturer of printed circuit boards, has shifted almost all of their production to a Chinese supplier. In the short term, they may see an increase in profits due to weak environmental standards in China and poverty level wages. Soon, the Chinese supplier will discover the names and contacts of the American end-users. Then what function will our former customer perform? NONE. They will be out of business. So much for short term profits!!!”
- “Might use 'marketing trips' as a cover for museum crawling!”

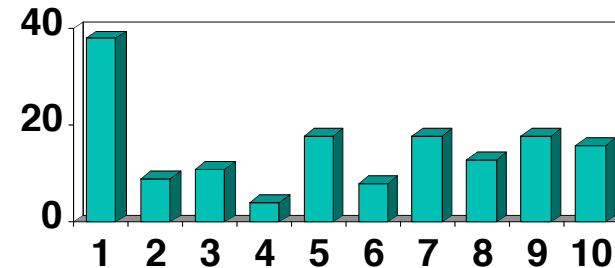
Similar Sentiments Were Expressed Concerning Optimal Facilities Respondents Looking to Open in Overseas Markets

Sales Office



Responses Median Mean St. Dev.
150 7 6.09 3.43

Distribution Center

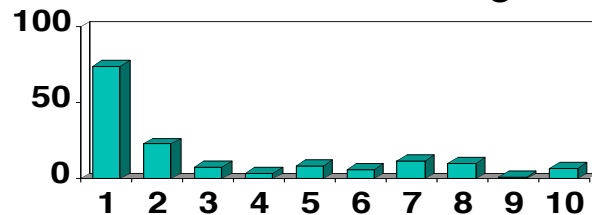


Responses Median Mean St. Dev.
153 5 5.19 3.26

7) Please rate your interest in opening the following types of facility/facilities in overseas markets. (Please answer on a scale of 1-10, 1 indicating not at all interested and 10 indicating extremely interested.)

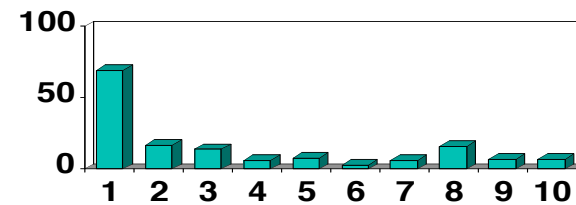
.... Hinting at More of an Opportunistic Attitude than a Comprehensive Strategy and Commitment to Developing an Overseas Presence

Manufacturing



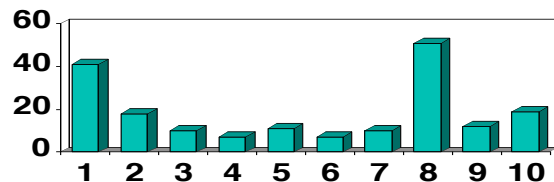
Responses 150
Median 4
Mean 4.8
St. Dev. 3.39

Design Center



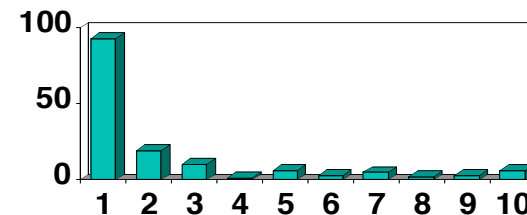
Responses 153
Median 2
Mean 3.46
St. Dev. 3.05

R&D Laboratory



Responses 154
Median 2
Mean 3.14
St. Dev. 2.84

Headquarters

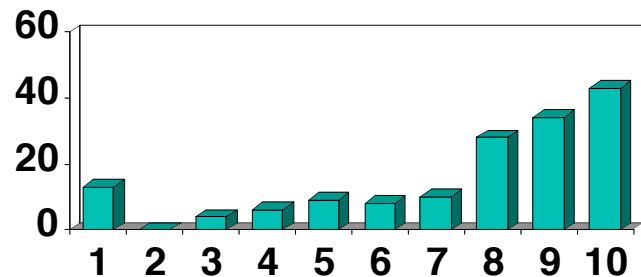


Responses 148
Median 1
Mean 2.37
St. Dev. 2.49

- “Distribution & Sales are already in-place overseas; Research & Design have primarily shifted to Europe.”
- “We will look carefully at these opportunities to enable my organization to participate in the South East Asia / China markets. Over time the cost will rise everywhere and we will be looking for new opportunities. Japan, Korea, Taiwan and other have gone through such transition and their costs have risen. The same will happen to other countries once the cost of living and taxation will rise and it will.”
- “It is critical to have adequate sales representatives in the buyer's country to do business with large OEMs.”
- “We prefer to keep all R&D and manufacturing in the US and Europe. Our designs are optimized for manufacturing and we've found that we are able to keep pricing very competitive with overseas while keeping the flexibility of having the line nearby.”

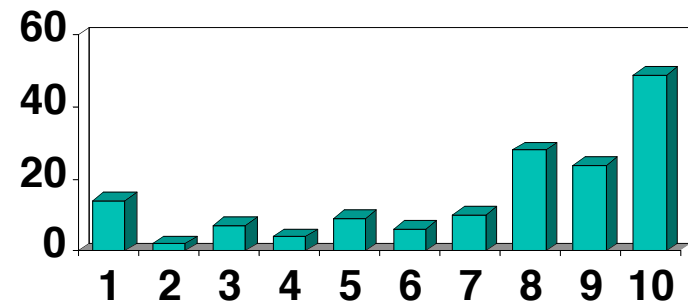
“Local Market Accessibility” Rated as Most Important Determinant, Again Underscoring Emphasis on Achieving Top Line Growth

Local Market Accessibility



| | | | |
|-----------|--------|------|----------|
| Responses | Median | Mean | St. Dev. |
| 155 | 8 | 7.56 | 2.71 |

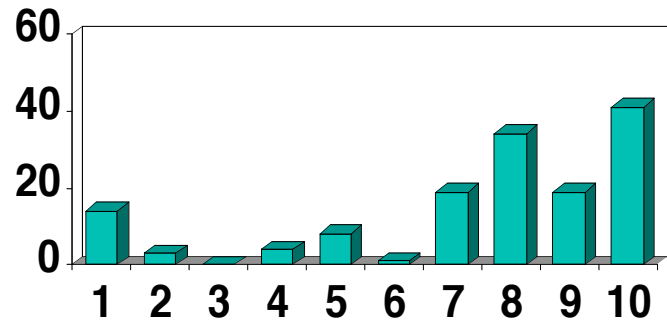
Good Local Partner



| | | | |
|-----------|--------|------|----------|
| Responses | Median | Mean | St. Dev. |
| 153 | 8 | 7.42 | 2.90 |

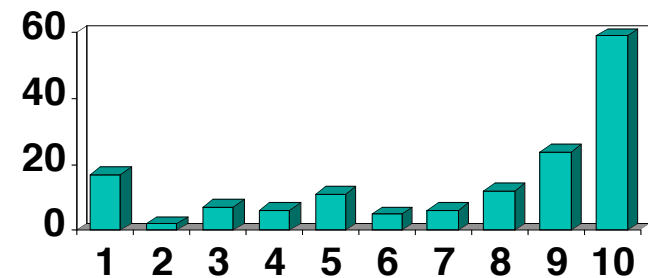
8) Please rate the following factors according to their importance in helping to achieve success in foreign markets. (Please answer on a scale of 1-10, 1 indicating not at all important and 10 indicating extremely important.)

Political Stability



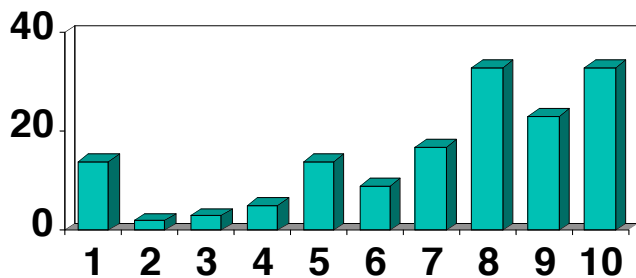
Responses 152 **Median** 8 **Mean** 7.38 **St. Dev.** 2.72

Protection Intellectual Property



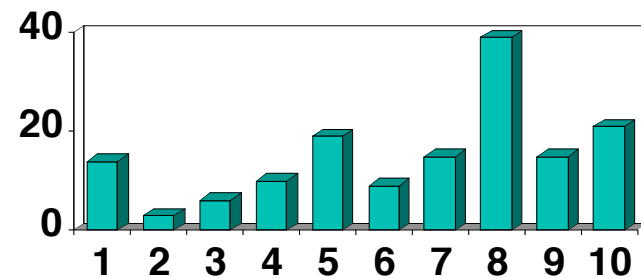
Responses 149 **Median** 9 **Mean** 7.35 **St. Dev.** 3.18

Financial Structure



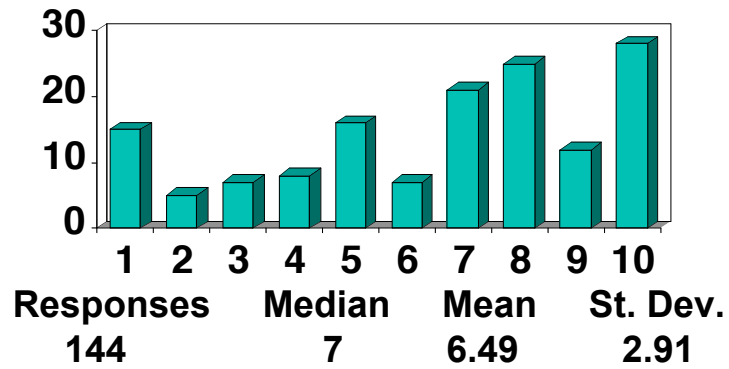
Responses 154 **Median** 8 **Mean** 7.14 **St. Dev.** 2.72

Physical Infrastructure

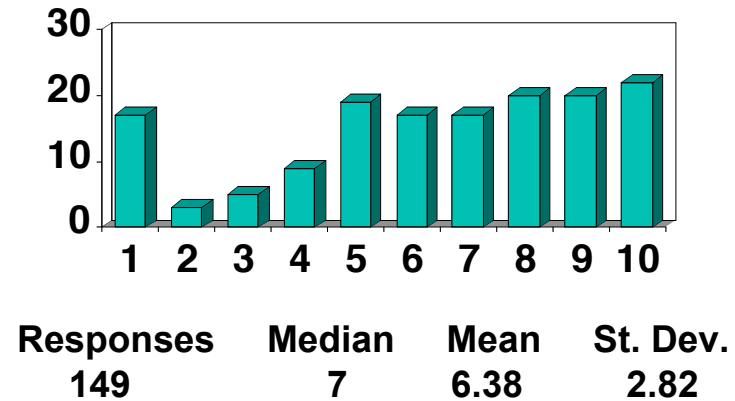


Responses 151 **Median** 7 **Mean** 6.55 **St. Dev.** 2.71

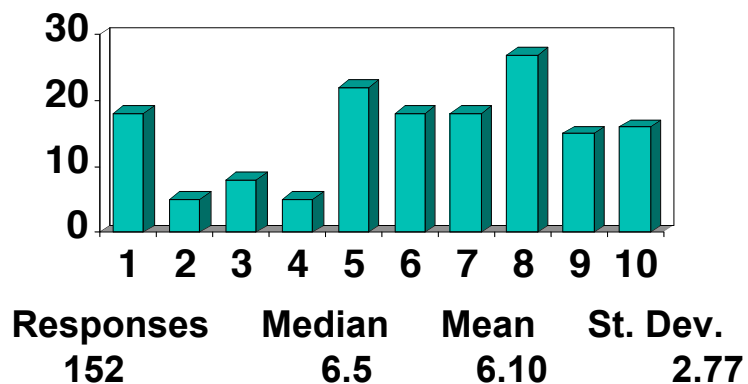
Corporate Governance



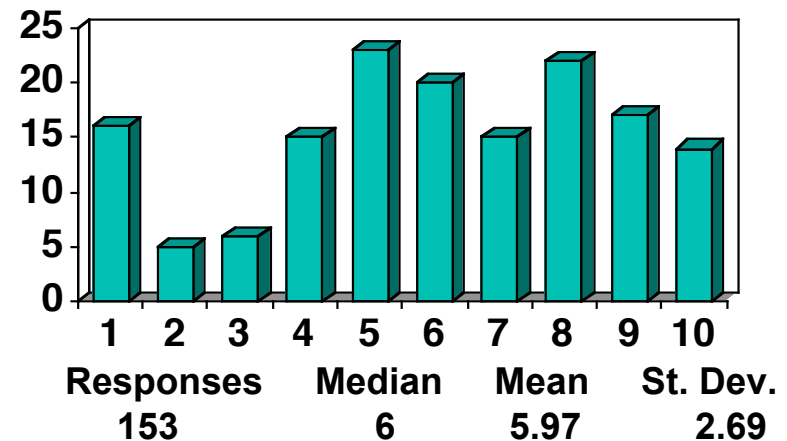
Regulatory Issues



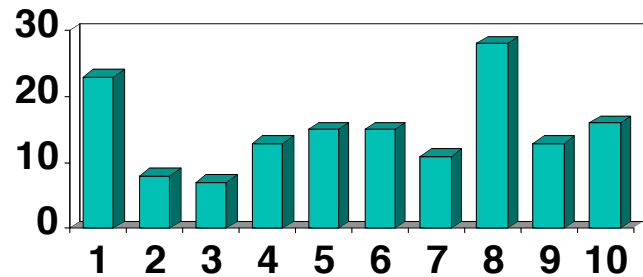
Affluence of Market



Advisory/Professional Support

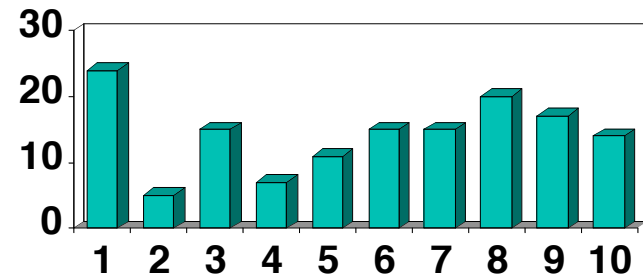


Human Resources



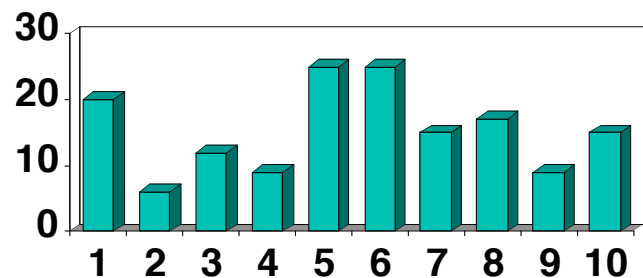
Responses 149
Median 6
Mean 5.74
St. Dev. 2.99

Incentives



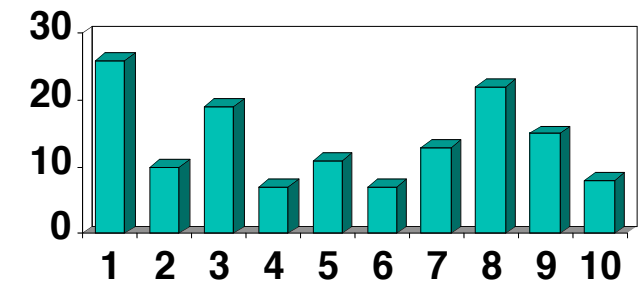
Responses 143
Median 6
Mean 5.66
St. Dev. 3.04

Government Support



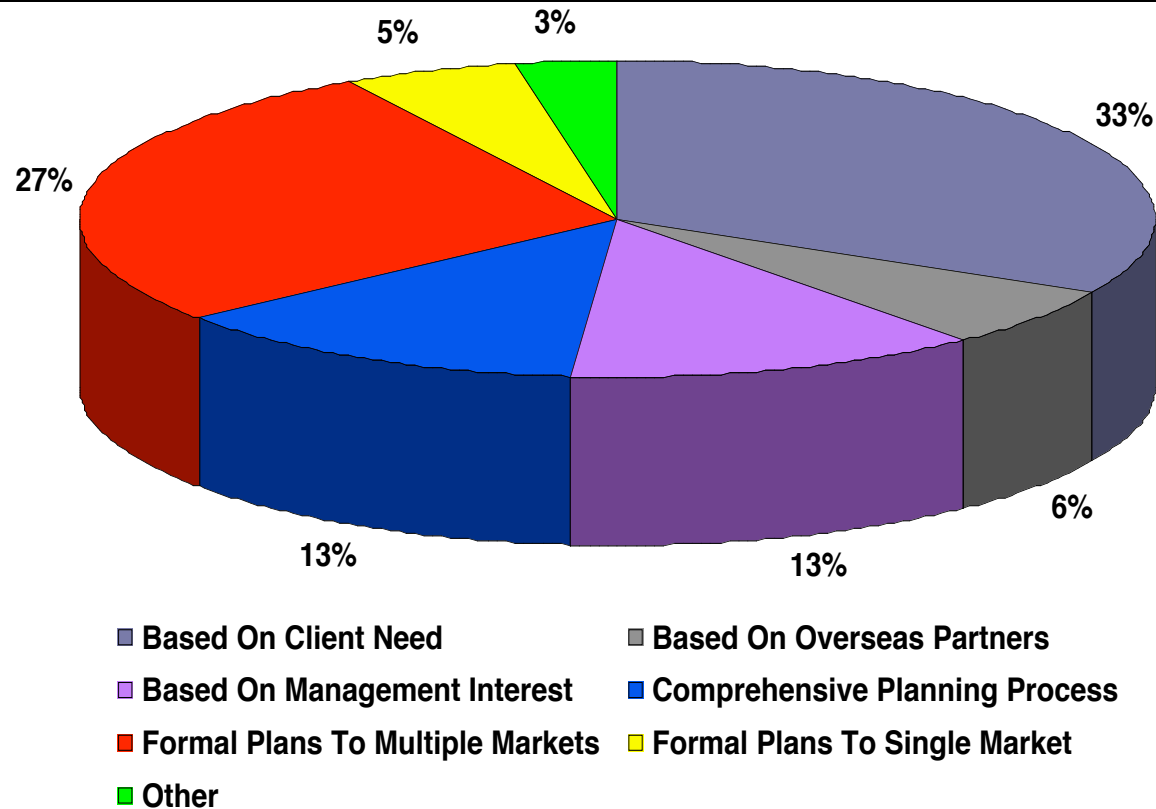
Responses 153
Median 6
Mean 5.56
St. Dev. 2.74

“One Stop” Service



Responses 159
Median 5
Mean 5.14
St. Dev. 3.06

Slightly Less than Half of Respondents Appear to Have a Formal International Expansion Plan in Place

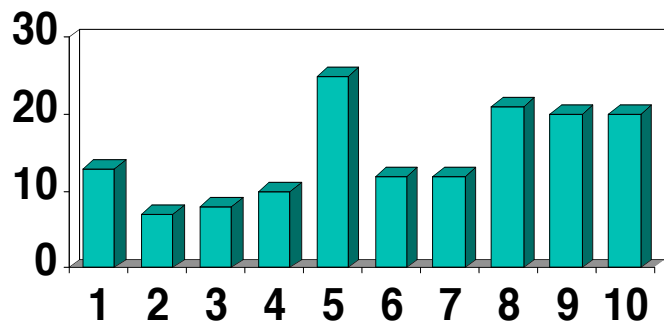


9) Please select the option that best describes your international business expansion planning.

- “We have been active in foreign markets since our founding. This is nothing new. Much of this is pure hoopla and many of the adventures will yield extreme disappoint or many re-organizations to cover up the tracks of the people with the "big ideas".”
- “Potentially, our technologies have broad application capabilities, therefore we have been targeting multiple markets.”
- “done, next.....”

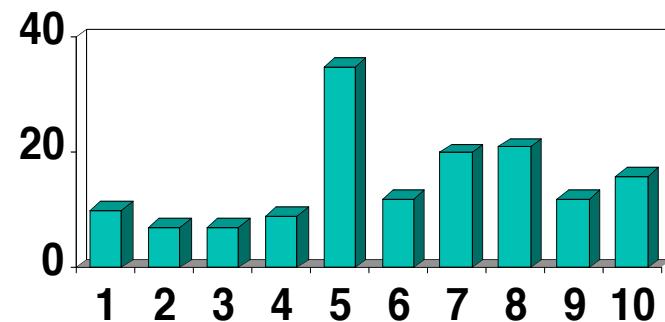
Respondents Rate Macroeconomic Factors Highest When Evaluating International Expansion Plans

Condition of Chinese Economy



Responses: 149
Median: 6
Mean: 6.22
St. Dev.: 2.81

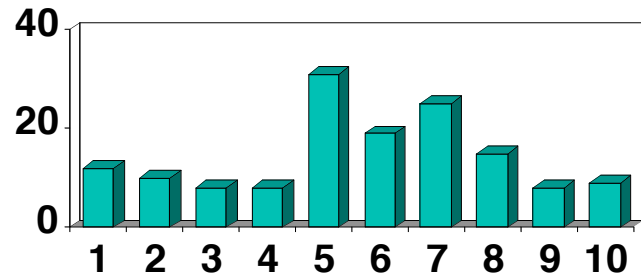
Condition of U.S. Economy



Responses: 148
Median: 6
Mean: 6.07
St. Dev.: 2.55

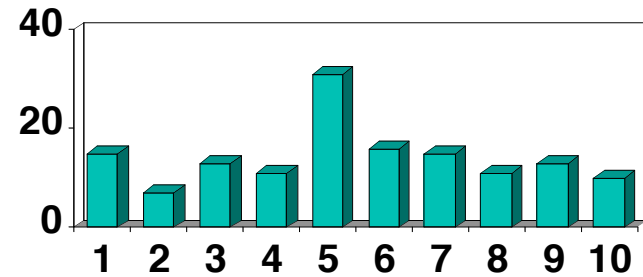
10) Do the following factors positively or negatively impact your desire to expand into international markets (please answer on a scale of 1-10, 1 indicating strong negative impact, 10 indicating strong positive impact.)

Global/Regional Trade Initiatives



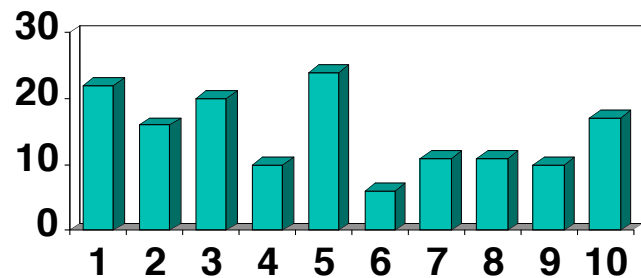
Responses **Median** **Mean** **St. Dev.**
 145 6 5.61 2.46

Corporate Governance (Overseas)



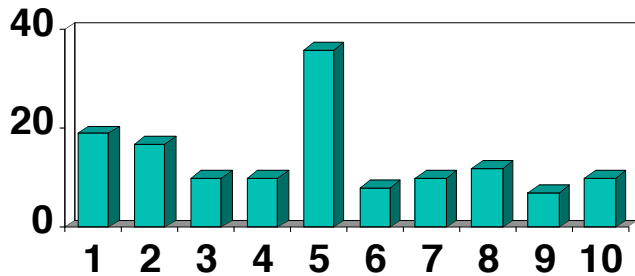
Responses **Median** **Mean** **St. Dev.**
 142 5 5.44 2.62

Security Concerns/Terrorism



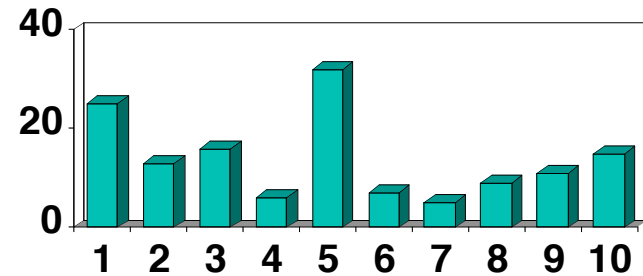
Responses **Median** **Mean** **St. Dev.**
 147 5 5 3.01

Volatility of Energy/Commodity Price



Responses 139
Median 5
Mean 4.89
St. Dev. 2.72

Anti-Corporate/Brand/American Sentiment



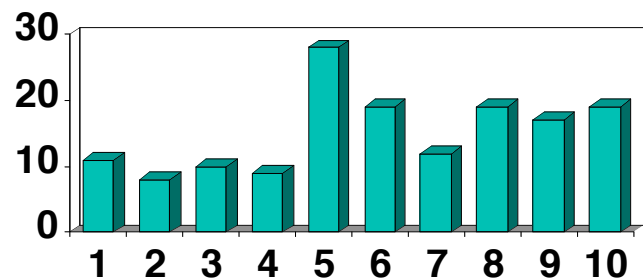
Responses 139
Median 5
Mean 4.90
St. Dev. 3

Additional Comments

- **“Many of the countries, including China & India, have failed to adequately protect the copyright and patent rights. These are not suitable partners for our technology.”**
- **“Many Asian companies tried to get US/European technologies without paying the cost.”**
- **“We are happy to provide equipment and/or on-site services to any location on earth, with the exception of China.”**

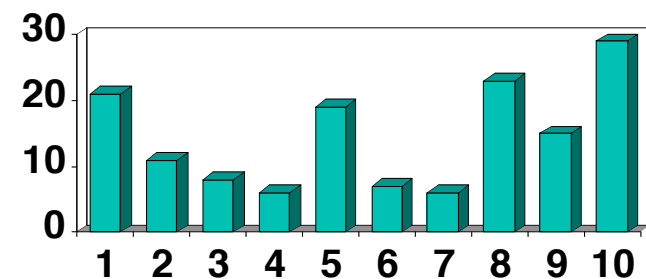
Though Interest is Tempered by Legal, Regulatory, IPR and other Issues, Which Are Hard to Control and Manage, Especially Within the Context of Limited Time and Resources

Legal/Regulatory Issues



Responses 152
Median 6
Mean 6.10
St. Dev. 2.70

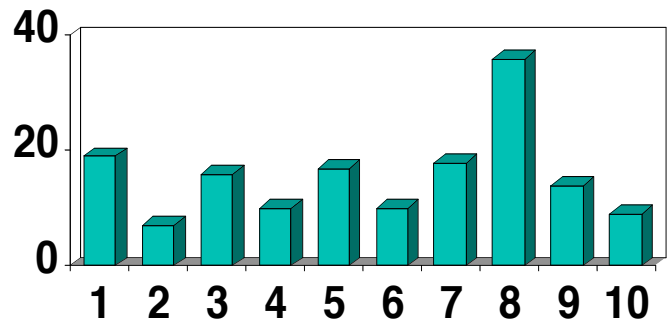
Lack of IPR Protection



Responses 145
Median 7
Mean 6.06
St. Dev. 3.24

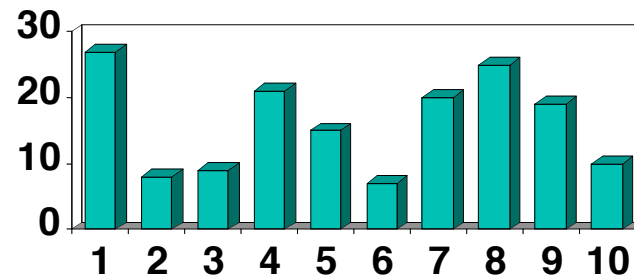
11) Please rate the following factors according to their importance as obstacles to expanding your international business presence. (Please answer on a scale of 1-10, 1 indicating not at all important and 10 indicating extremely important.)

Lack of Time



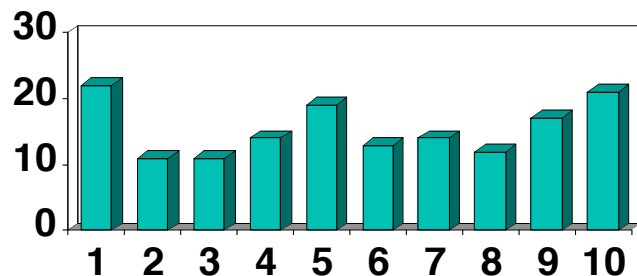
Responses 156
Median 6
Mean 5.74
St. Dev. 2.79

Lack of Local Management



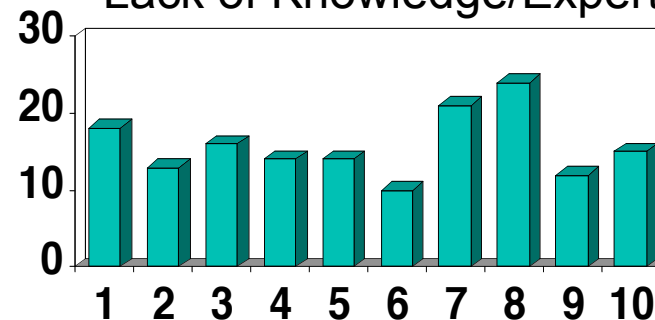
Responses 152
Median 6
Mean 5.57
St. Dev. 3.01

Lack of Financing



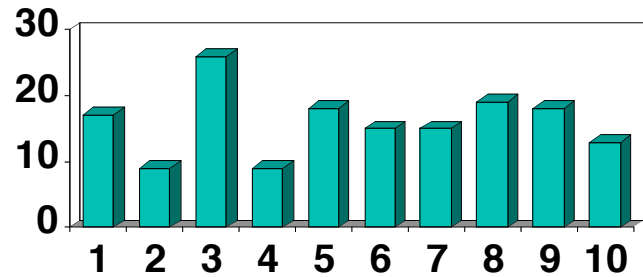
Responses 154
Median 5.5
Mean 5.60
St. Dev. 3.05

Lack of Knowledge/Expertise



Responses 157
Median 6
Mean 5.57
St. Dev. 2.9

Language/Cultural Barriers



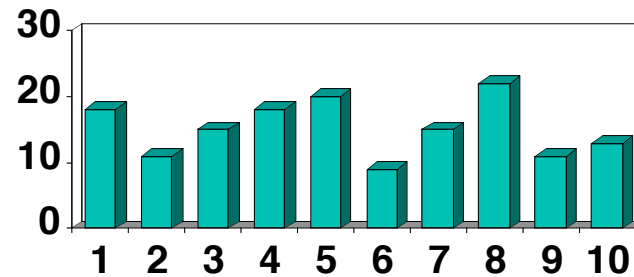
Responses
159

Median
6

Mean
5.52

St. Dev.
2.85

Political/Macro Risk



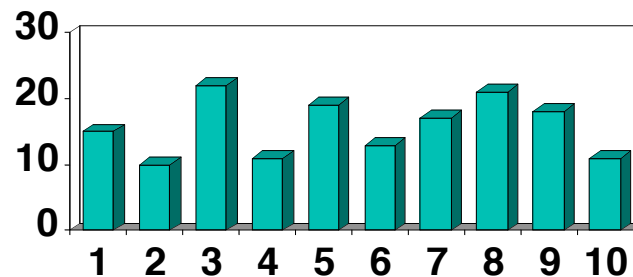
Responses
152

Median
5

Mean
5.40

St. Dev.
2.83

Communications/Distance



Responses
157

Median
6

Mean
5.59

St. Dev.
2.78

- “When the market is far away, there are relatively large costs that get in the way of operating at that distance.”
- “We have been losing money by unstable US dollar against the other major currencies as Euro and Japanese yen.”
- “Goal One is to provide for our remaining industrial customers and help them remain as competitive as possible - "The Arsenal of Democracy". Goal Two is to keep our eyes and ears open to an expanding world of opportunities.”
- “Europe markets are blocked by artificial barriers under pretence of 'safety regulations', and emission standards that are different just to block imports, resistance of regulatory agencies to assist US companies -- for example I had to walk into a French office to get what I had requested by mail.”

12) What considerations are most important as you seek to identify new markets for international expansion?

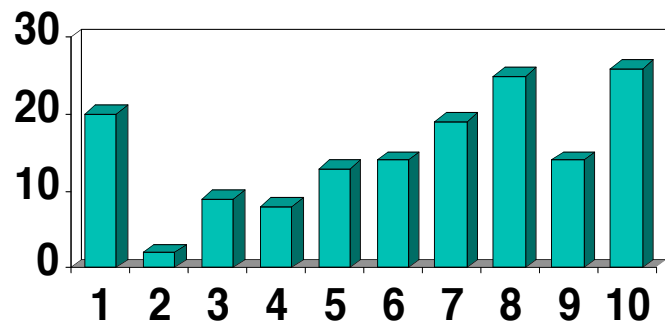
- Product demands
- Return profits
- Market growth
- Financial stability
- Market access
- Ability to import
- Cost position
- Infrastructure
- Economic security
- Product need
- Potential sales/market
- Time and Expense
- Sales presence
- Environmental regulations
- Language barriers
- Ease of distribution
- Long-term growth potential
- IP protection
- Language barriers
- Human rights record
- Regulatory interference
- Currency exchange
- Monetary policies
- Local acceptance
- Market research
- Product costs
- Local talent
- Low taxation
- Good infra-structure
- Market segments

13) What considerations are most important as you seek to optimize your existing international operations?

- Exchange rates
- Access to systems
- Solid Representation
- Distribution chain support
- Local infrastructure
- Value-add services
- Raw manufacturing
- Experienced engineers
- Financing and HR skills
- Ownership structure
- IP protection
- Trainable workforce
- Government support
- Time-table
- Business model
- Competition
- Local partnerships
- Exit Strategy
- Market research
- Product support
- Cost reduction
- Revenue potential
- Worldwide economy
- Customer service
- Local talent availability
- Political stability
- Marketplace reputation
- Funding opportunities
- Optimal costs
- Delivery conditions
- Communication
- Technical support
- Business ethics

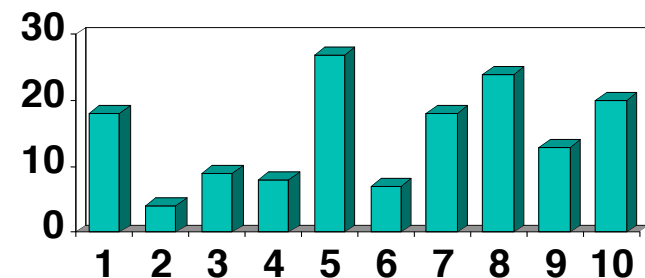
Respondents Rate Site Visits, Local Government Support and Better Business and Marketing Planning as the Most Helpful Tools for International Expansion: Conferences Seen as Least Helpful Option

Site Visits



Responses Median Mean St. Dev.
150 7 6.34 2.96

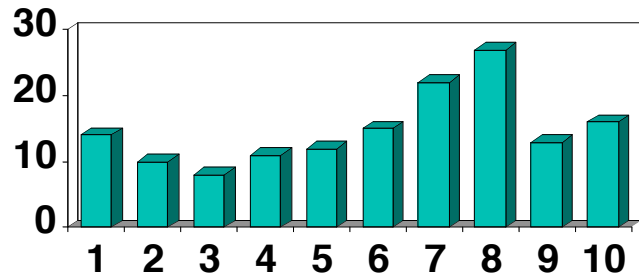
Local Government Support



Responses Median Mean St. Dev.
148 7 6.06 2.86

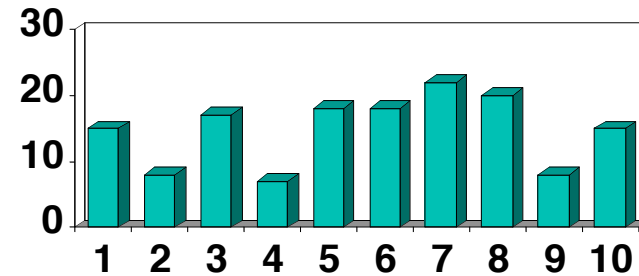
14) Which of the following services would be most useful in helping you to expand, or optimize your international operations? (please answer on a scale of 1-10, 1 indicating not at all helpful and 10 indicating extremely helpful.)

Business Planning



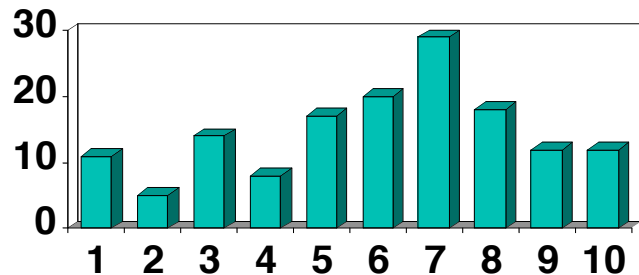
Responses **Median** **Mean** **St. Dev.**
 148 7 6.07 2.79

Advisory Support/Facilitation



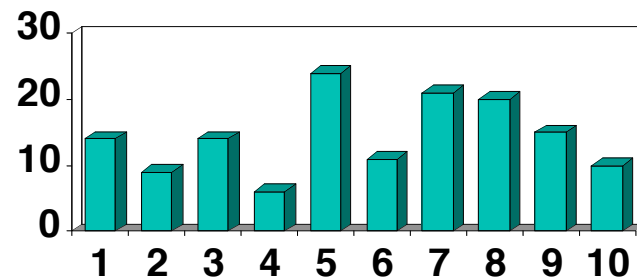
Responses **Median** **Mean** **St. Dev.**
 148 6 5.70 2.74

Marketing Support



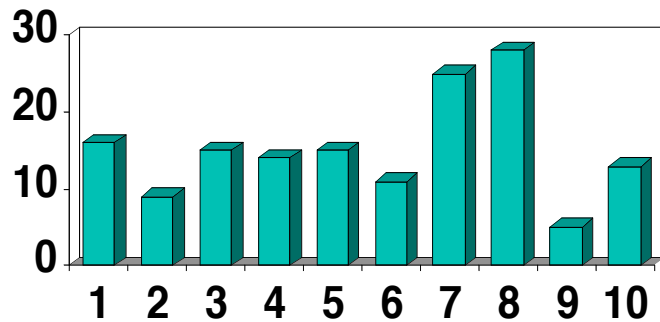
Responses **Median** **Mean** **St. Dev.**
 146 6 5.99 2.53

Transactional Support/Facilitation



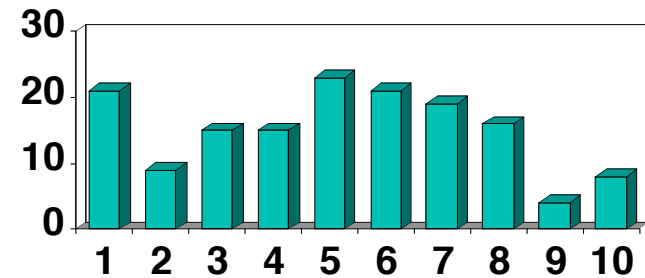
Responses **Median** **Mean** **St. Dev.**
 144 6 5.74 2.71

Research Reports/Briefings



Responses Median Mean St. Dev.
151 6 5.63 2.73

Conferences/Seminars

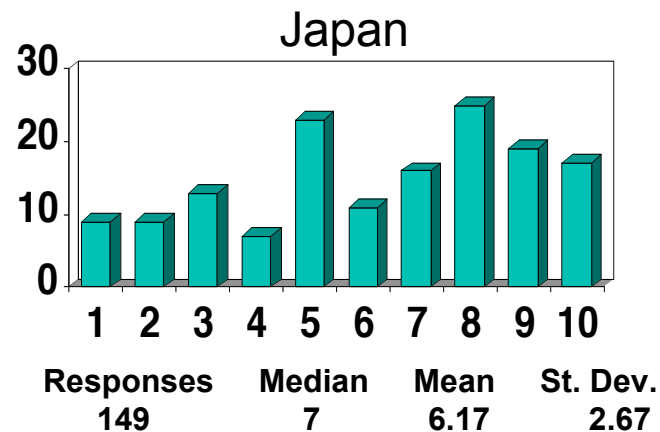
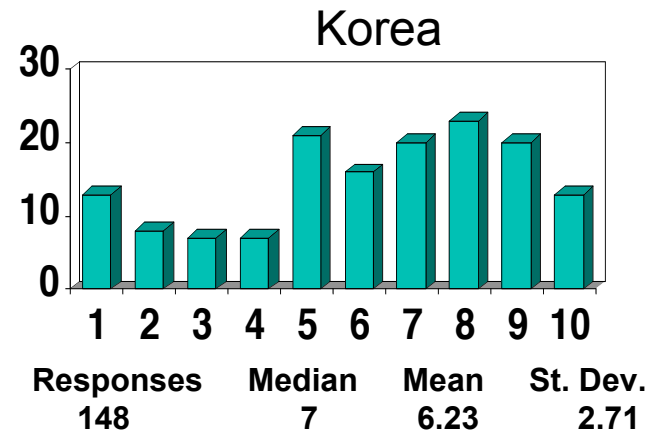
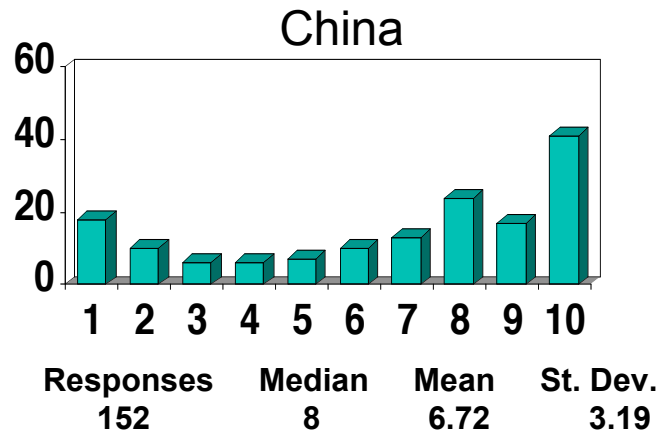


Responses Median Mean St. Dev.
151 5 5.05 2.58

Additional Comments

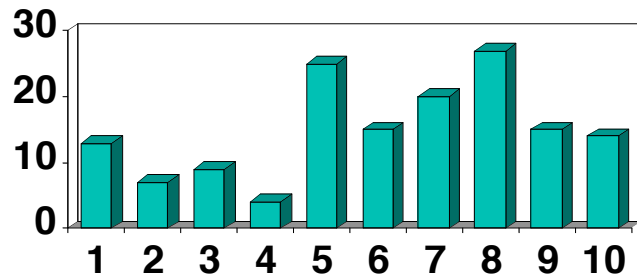
- “Generally, public research and development organizations lead the high technologies in the areas.”
- “Our organization’s expertise resides in our technical abilities. We need to improve our marketing focus and business contacts.”
- “We know exactly which companies we need to talk to. Our biggest challenge is to get an audience/introduction to the decision makers. There is already good marketing data and press coverage on semiconductor companies and most also have annual reports with useful data. Most of the countries of our prospects have good infrastructure, reasonable political and government climate, etc. The only exception is China.”

North Asia Seen as Having Significantly More Potential than South or Southeast Asia



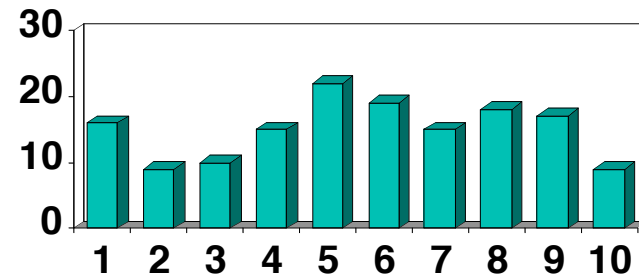
15) Please rate the following economies in Asia according to their potential ability to enhance your business. (Please answer on a scale of 1-10, 1 indicating no perceived potential and 10 indicating a great deal of perceived potential.)

Taiwan



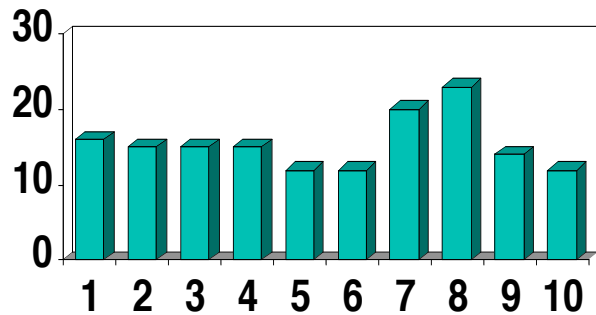
Responses: 149
Median: 7
Mean: 6.15
St. Dev.: 2.65

Hong Kong



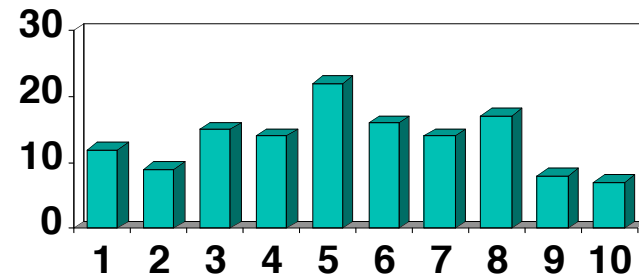
Responses: 150
Median: 6
Mean: 5.6
St. Dev.: 2.69

India



Responses: 150
Median: 6
Mean: 5.59
St. Dev.: 2.84

ASEAN

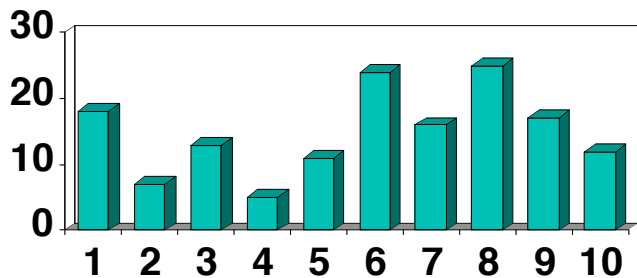


Responses: 134
Median: 5
Mean: 5.32
St. Dev.: 2.54

- Lost a large amount of funds in China.
- Singapore is very important to managing activities in ASEAN area. Probably, Vietnam will be a key country in the next 3 to 5 years.
- Where the heck is 'ASEAN'? Do you mean 'Asian'?
- I see the Gulf States becoming more and more important as international oil consumption will continue to increase over the next 20 years. This is why I am learning Arabic.
- Our technology is very advanced. Therefore it tends to hit Japan and Korea first, then Taiwan, lastly China. Some design, but not decision-making resides in India.
- Need to understand IP rules and enforcement, Need to understand how to get my people there and back without hassle.
- Japan is too hard to penetrate as a market.

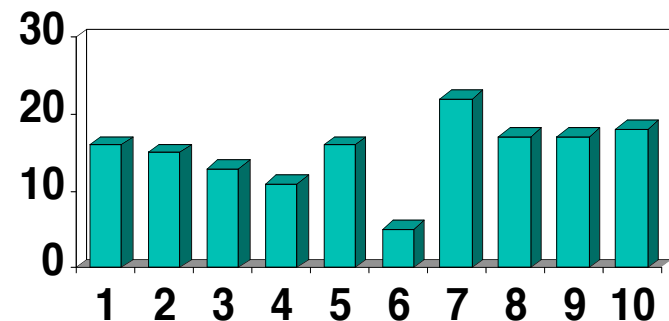
Canada and Western Europe Rated Between North and South/SE Asia; AUZ and Other Selected Emerging Markets Rated Lowest

Western Europe



Responses: 148
Median: 6
Mean: 5.91
St. Dev.: 2.82

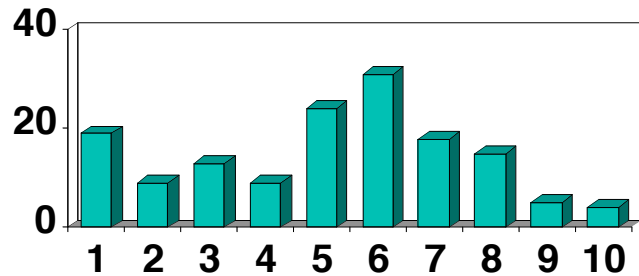
Canada



Responses: 150
Median: 6
Mean: 5.75
St. Dev.: 2.99

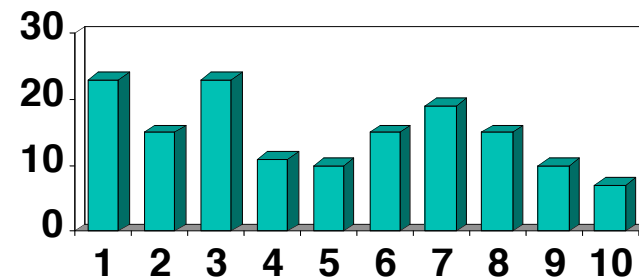
16) Please rate the following additional countries/regions according to their potential ability to enhance your business. (Please answer on a scale of 1-10, 1 indicating no perceived potential and 10 indicating a great deal of perceived potential.)

Central/Eastern Europe



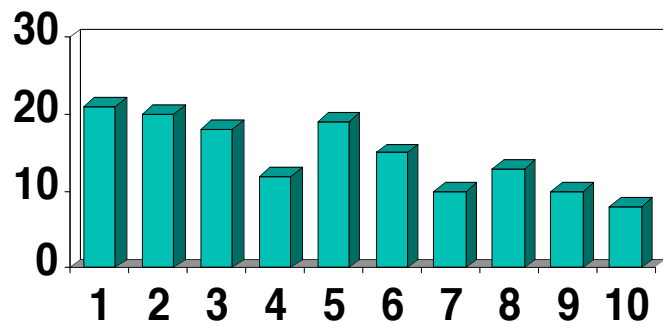
Responses **Median** **Mean** **St. Dev.**
 147 5 5.10 2.43

Australia/NZ



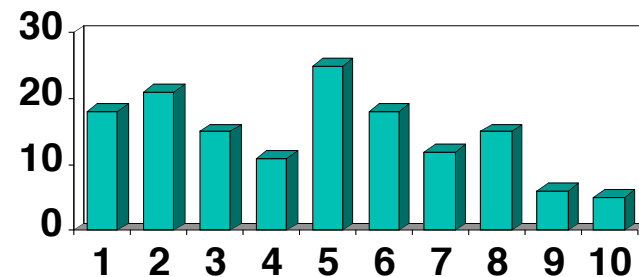
Responses **Median** **Mean** **St. Dev.**
 148 5 4.86 2.81

Latin America



Responses **Median** **Mean** **St. Dev.**
 146 5 4.74 2.78

Russia/Central Asia



Responses **Median** **Mean** **St. Dev.**
 146 5 4.73 2.57

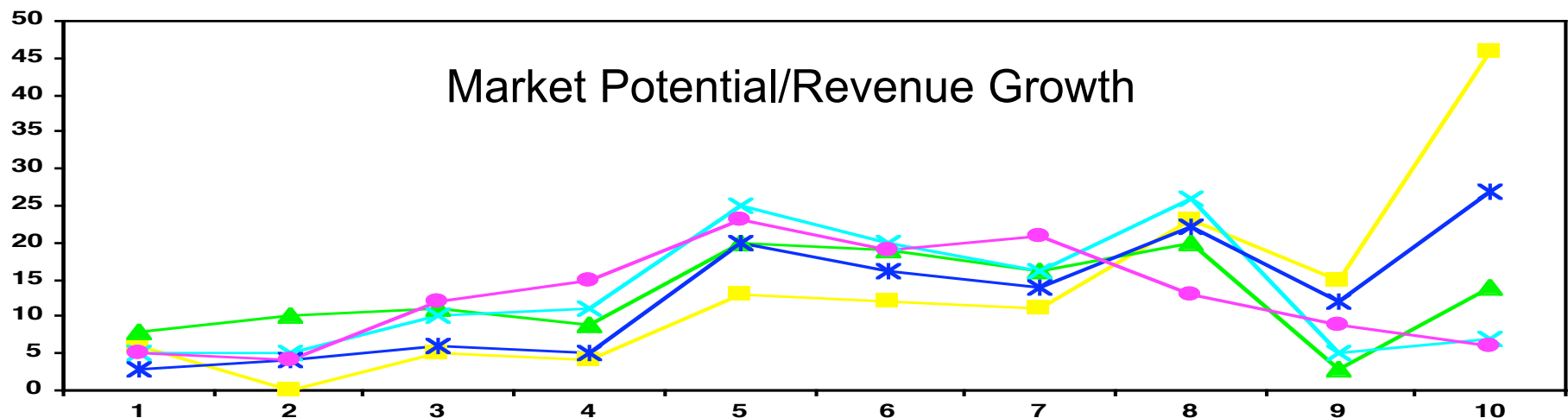
17) Please rate the competitiveness of the following economies according to the following attributes. (Please answer on a scale of 1-10, 1 indicating not at all competitive and 10 indicating highly competitive.)

- 1) China**
- 2) India**
- 3) Japan**
- 4) United States**
- 5) European Union**

* Countries have been rated in the following categories: Market Potential/Revenue Growth, Production/Cost Reduction, Access to Export Markets, Workforce, Intellectual Property Protection, Transparency, Cultural Barriers, Regulatory/Tax Regime, Political/Economic Stability, Quality of Life, Economic Reform, Infrastructure, Government Incentives

** Each country has been graphed individually in the following slides.

China Seen as Having the Most Potential for Market/Revenue Growth, Followed by US. Japan Marginally over India, EU Trailing



—■— CHINA

—▲— INDIA

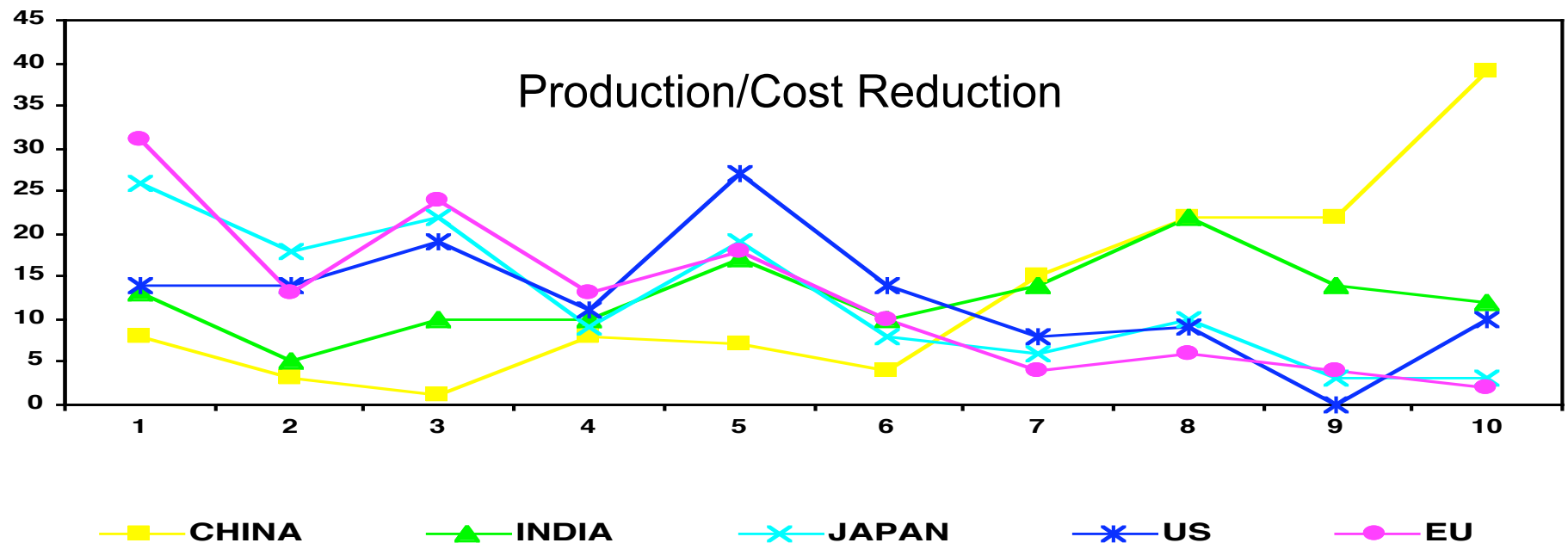
—×— JAPAN

—*— US

—●— EU

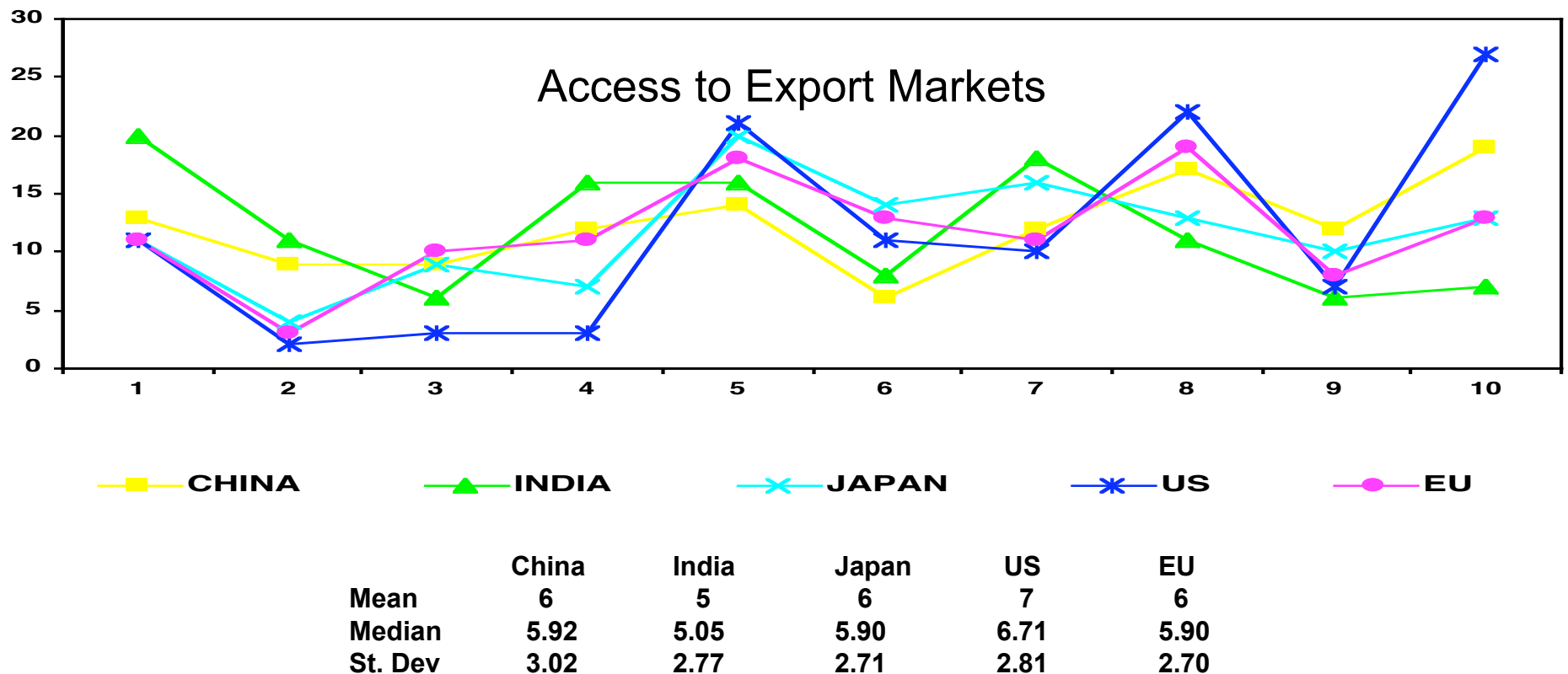
| | | | | | |
|---------|-------|-------|-------|------|------|
| | China | India | Japan | US | EU |
| Mean | 8 | 6 | 6 | 7 | 5 |
| Median | 7.63 | 5.84 | 5.87 | 6.93 | 4.18 |
| St. Dev | 2.52 | 2.53 | 2.24 | 2.23 | 2.53 |

China also Clear Leader in Production/Cost Reduction, Followed by India & US, Japan Marginally Higher than EU

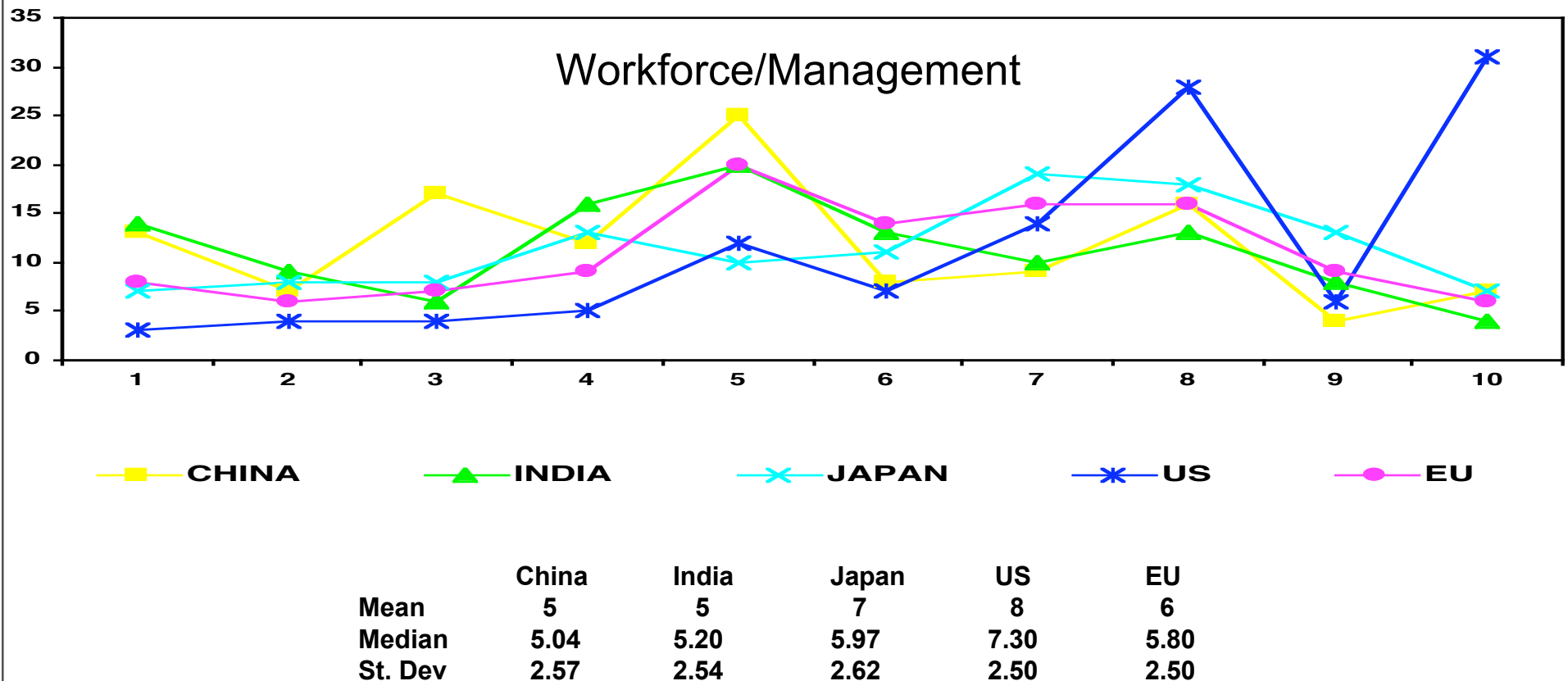


| | | | | | |
|---------|-------|-------|-------|------|------|
| | China | India | Japan | US | EU |
| Mean | 8 | 6 | 3 | 5 | 3 |
| Median | 7.58 | 6.03 | 3.91 | 4.63 | 3.62 |
| St. Dev | 2.67 | 2.76 | 2.50 | 2.35 | 2.52 |

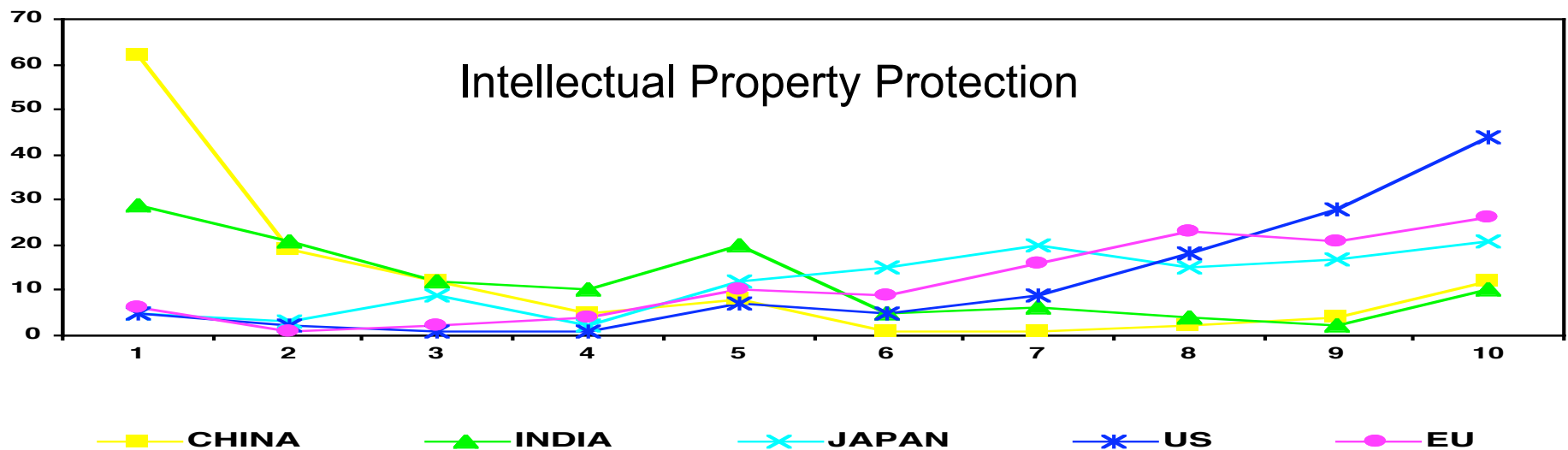
US Seen as Having Best Access to Export Markets, China, Japan and EU Nearly Equal, India Receives Weakest Rating



US Seen as Having Most Competitive Workforce/Management, Followed by Japan and EU, India Slightly Over China

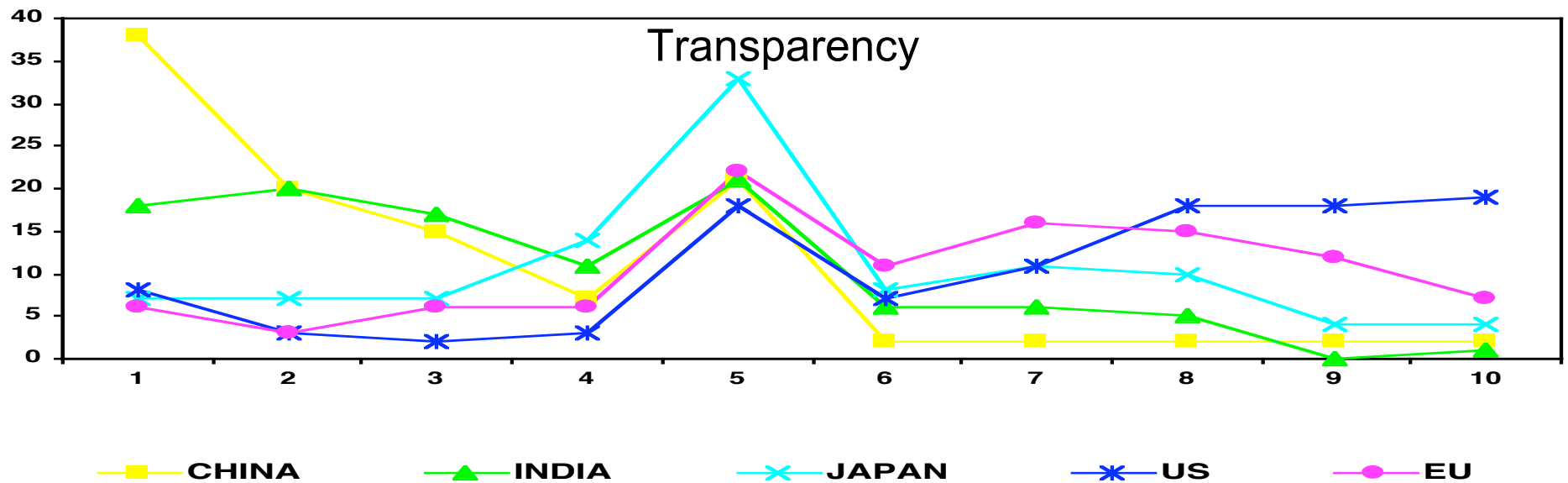


US, EU and Japan Rated Strong on IPR in that Order --
India Weaker and China Very Low



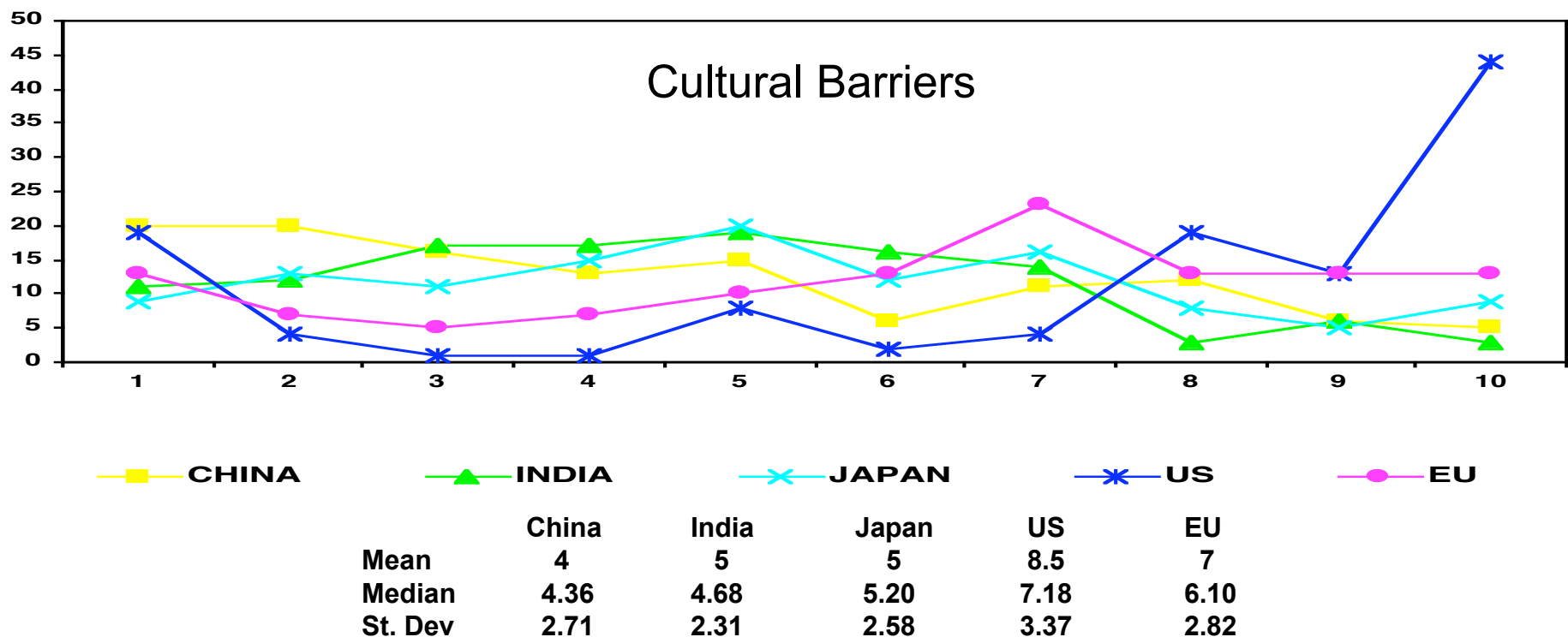
| | | | | | |
|---------|-------|-------|-------|------|------|
| | China | India | Japan | US | EU |
| Mean | 1.50 | 3 | 7 | 9 | 8 |
| Median | 2.93 | 3.90 | 6.87 | 8.13 | 7.40 |
| St. Dev | 2.89 | 2.72 | 2.51 | 2.36 | 2.42 |

US and EU seen as Relatively Strong on Transparency, Japan Relatively Neutral, Followed by India and China

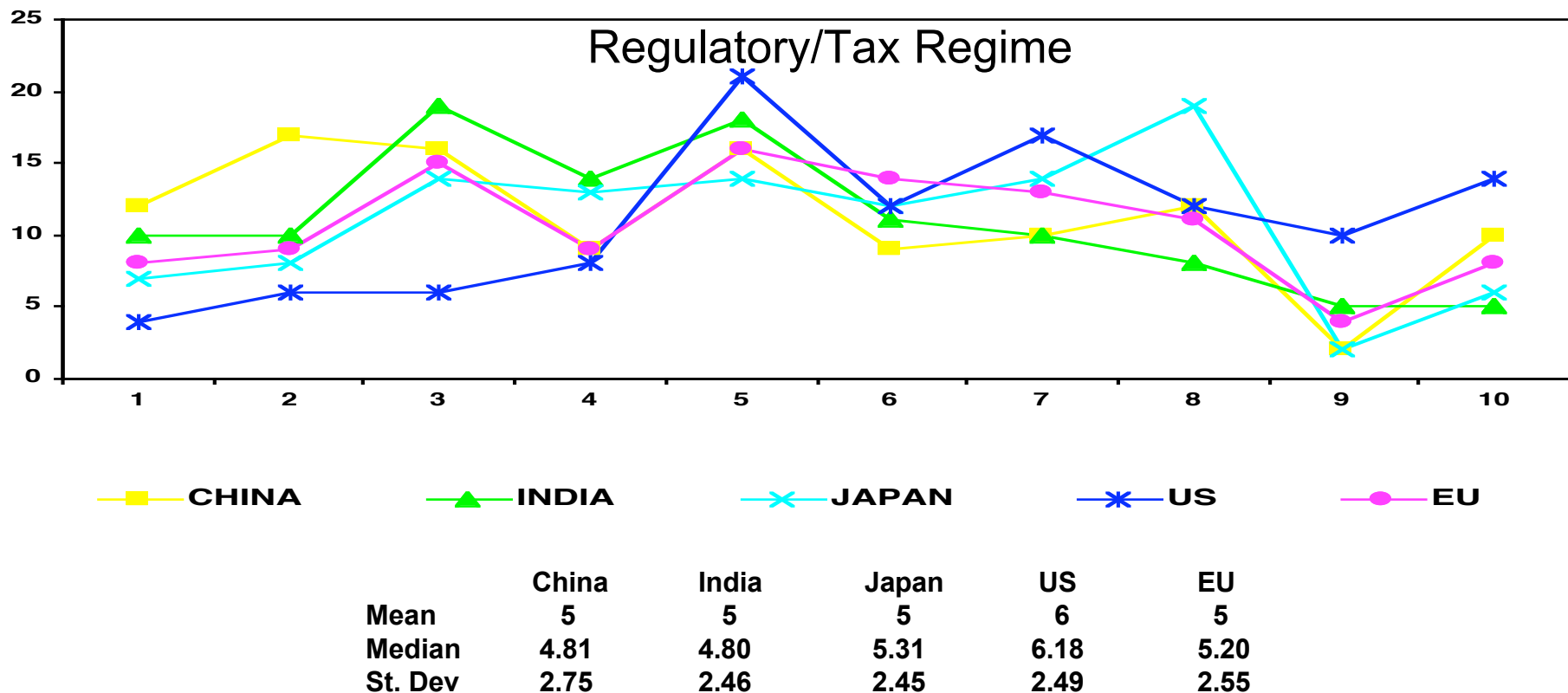


| | | | | | |
|---------|-------|-------|-------|------|------|
| | China | India | Japan | US | EU |
| Mean | 2 | 3 | 5 | 8 | 6 |
| Median | 2.95 | 3.64 | 5.20 | 6.90 | 6.14 |
| St. Dev | 2.15 | 2.10 | 2.28 | 2.71 | 2.42 |

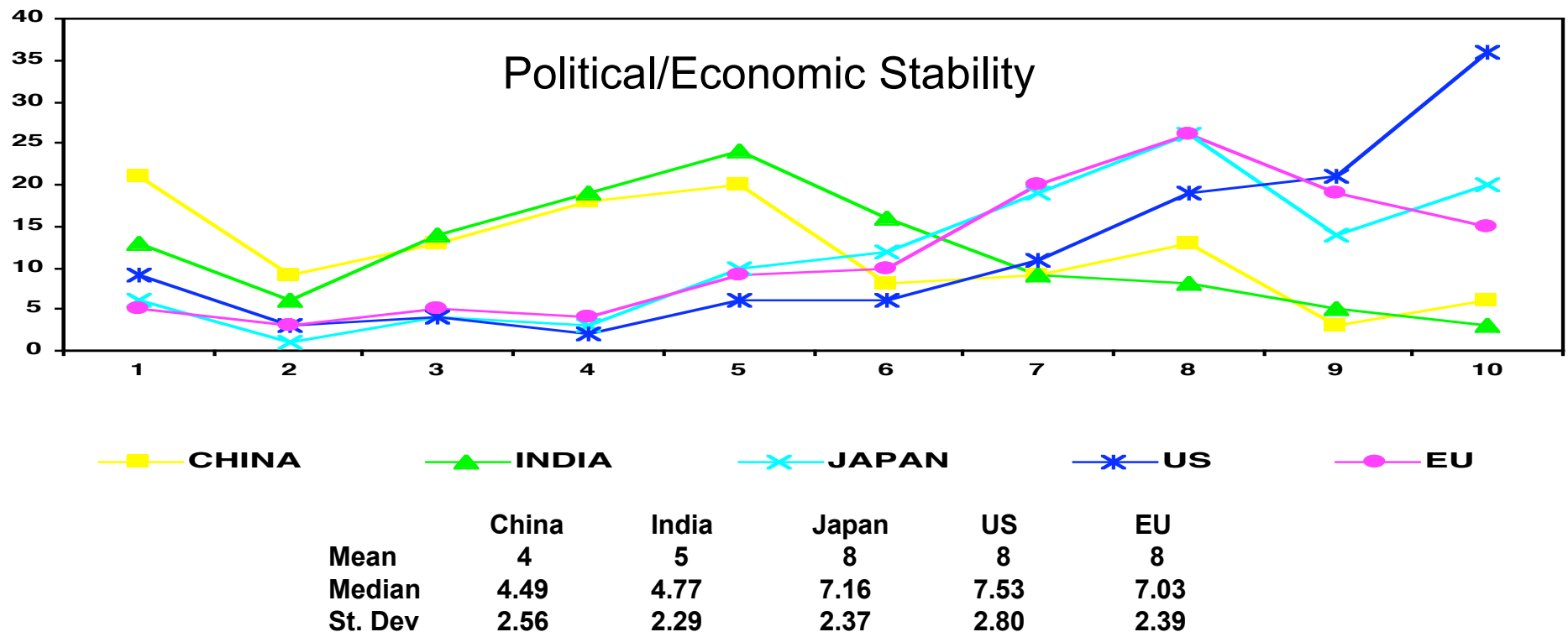
US Seen as Having Least Cultural Barriers -- Though With Very High Deviation, Followed by EU, Japan, India and China



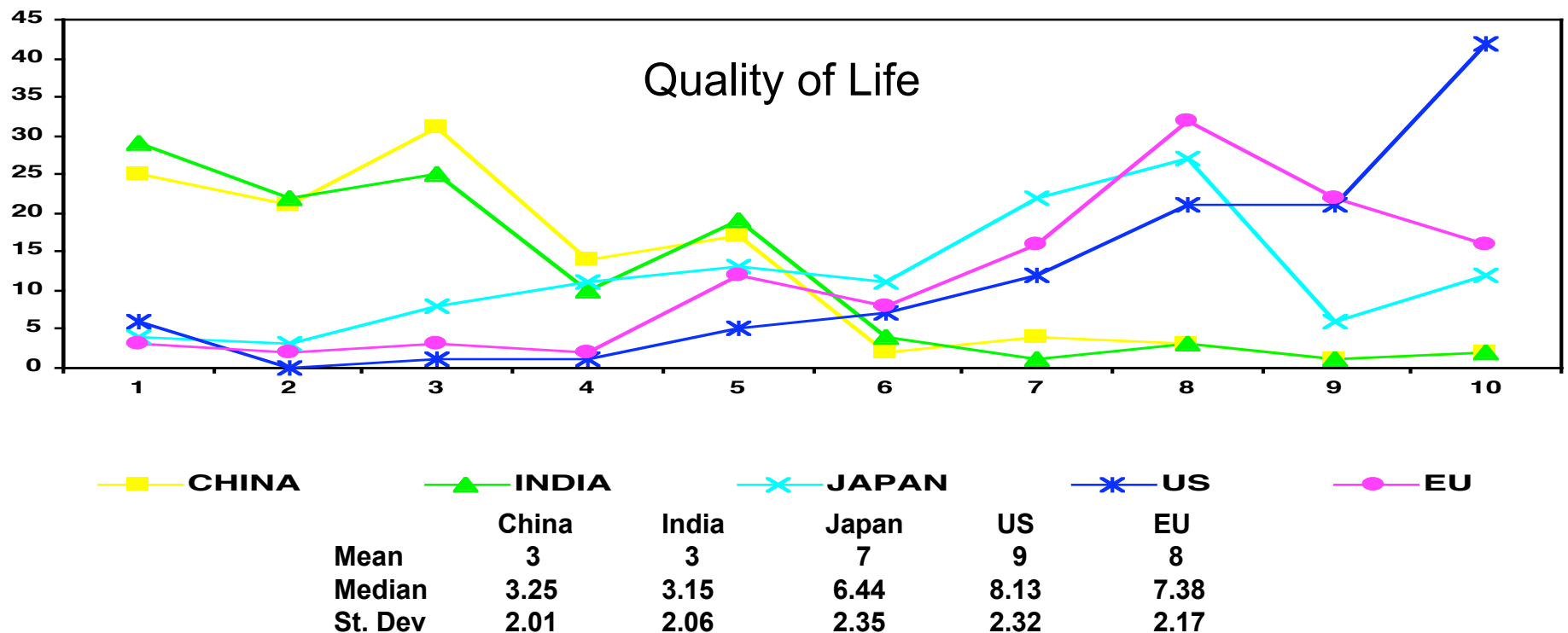
US Seen as Having Most Competitive Regulatory/Tax Regime, Followed by Japan, EU, China and India



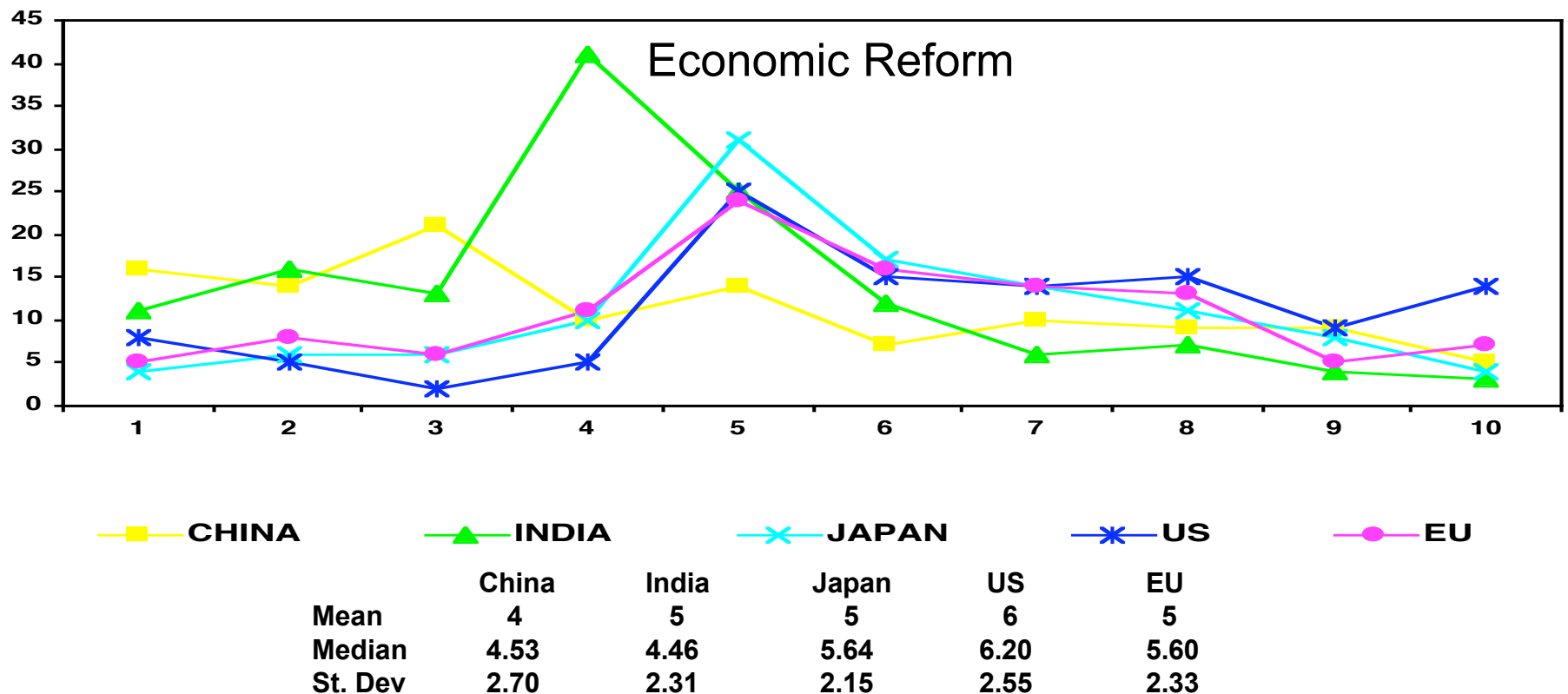
US Seen as Most Politically/Economic Stable,
Followed by Japan, EU, India and China



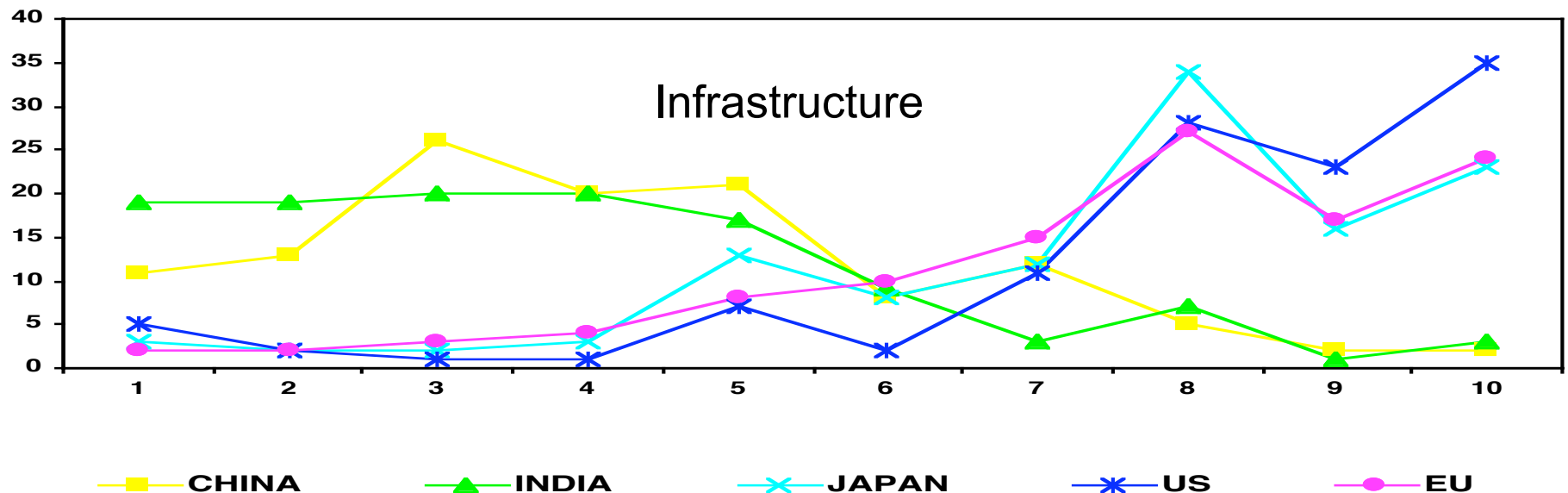
US Seen as Having Highest Quality of Life, Followed by EU
and Japan, China and India Much Weaker



US Seen as Most Competitive in Economic Reform,
Followed by Japan, EU, China and India

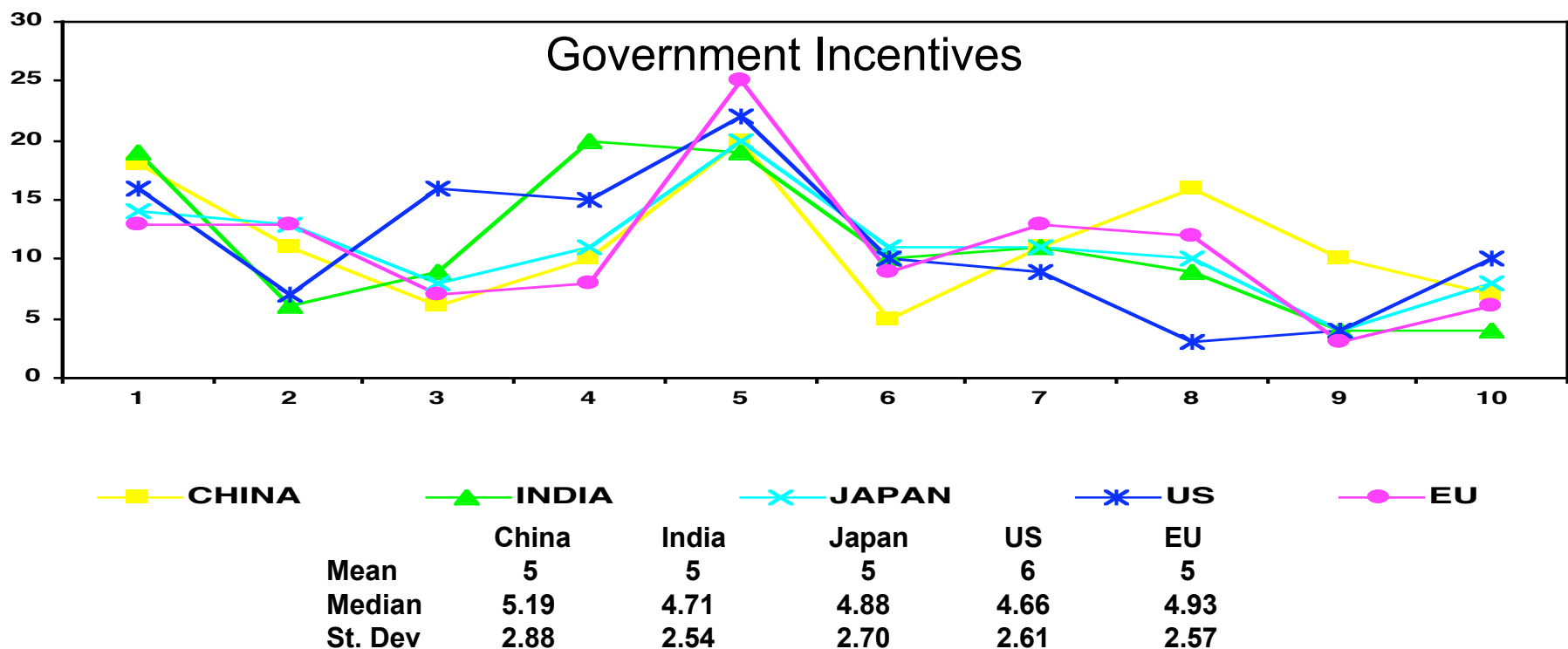


US, EU and Japan Have Most Competitive Infrastructure,
China is Improving and India Weakest

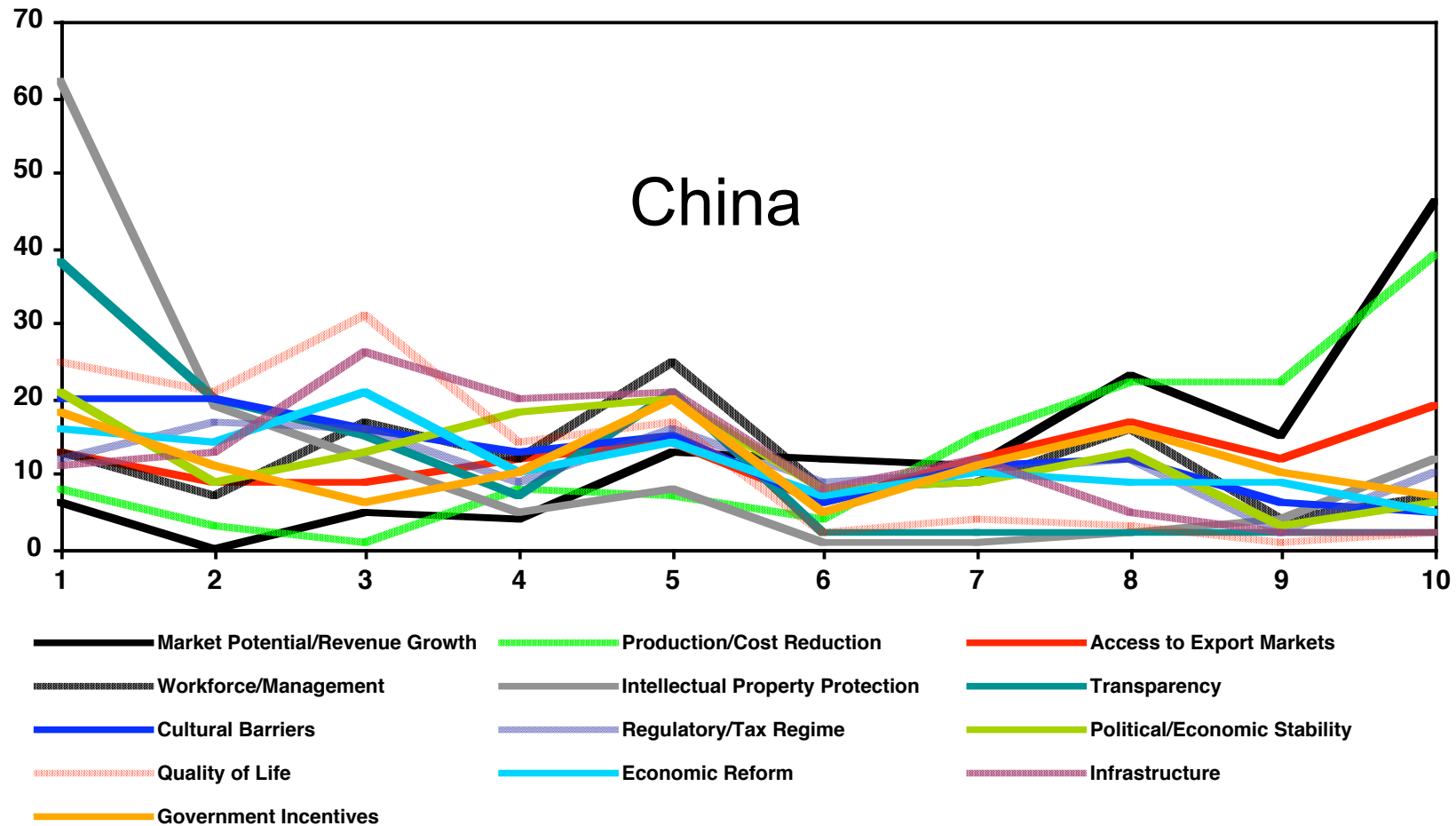


| | | | | | |
|---------|-------|-------|-------|------|------|
| | China | India | Japan | US | EU |
| Mean | 4 | 3.5 | 8 | 9 | 8 |
| Median | 4.23 | 3.83 | 7.52 | 8.01 | 7.55 |
| St. Dev | 2.13 | 2.26 | 2.22 | 2.33 | 2.21 |

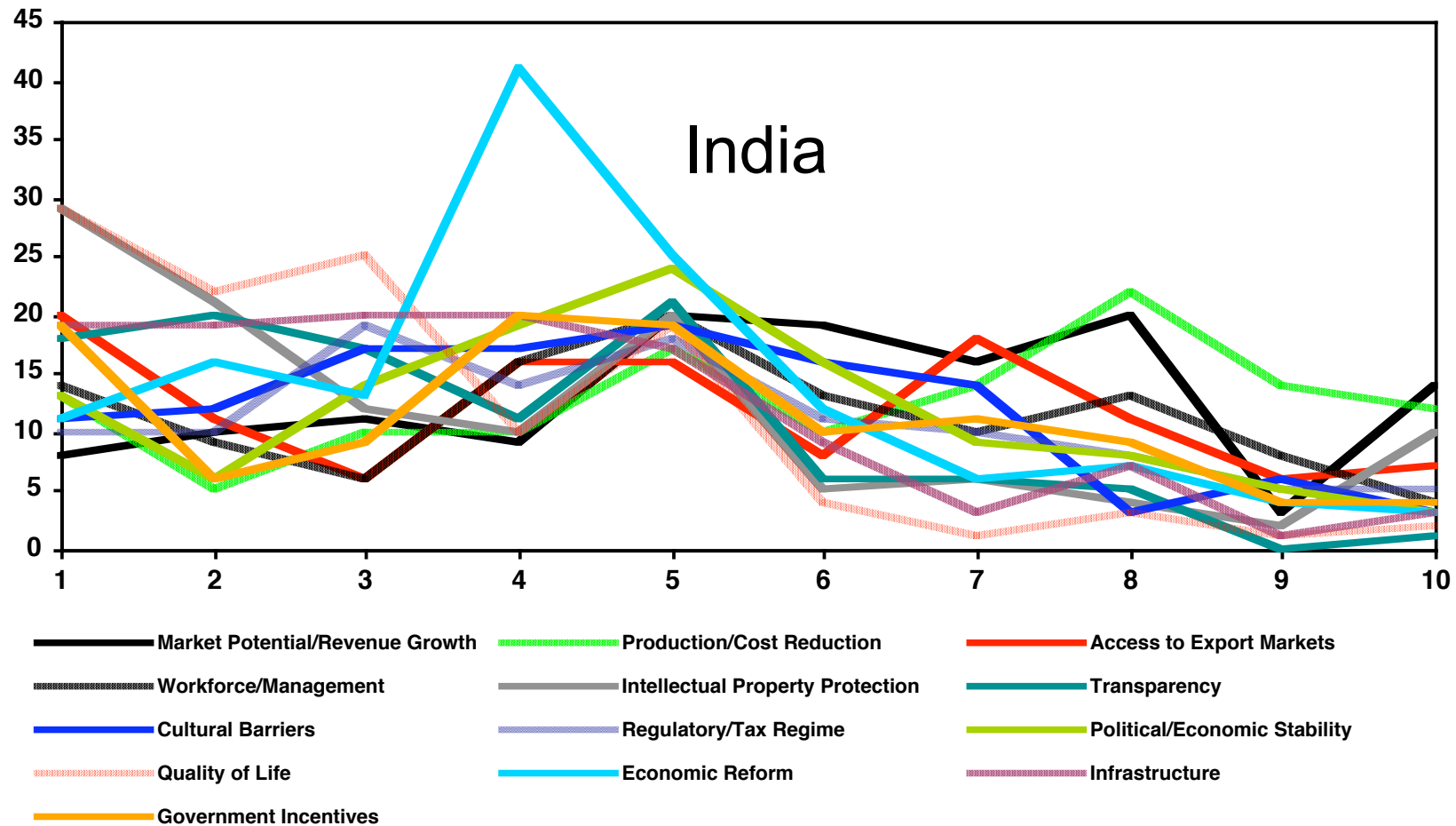
China Has Most and US Least Competitive Incentives, Though Lack of Strong Views Perhaps Indicates Relative Unimportance of Incentives as Means to Attract FDI, at Least in Initial Stages



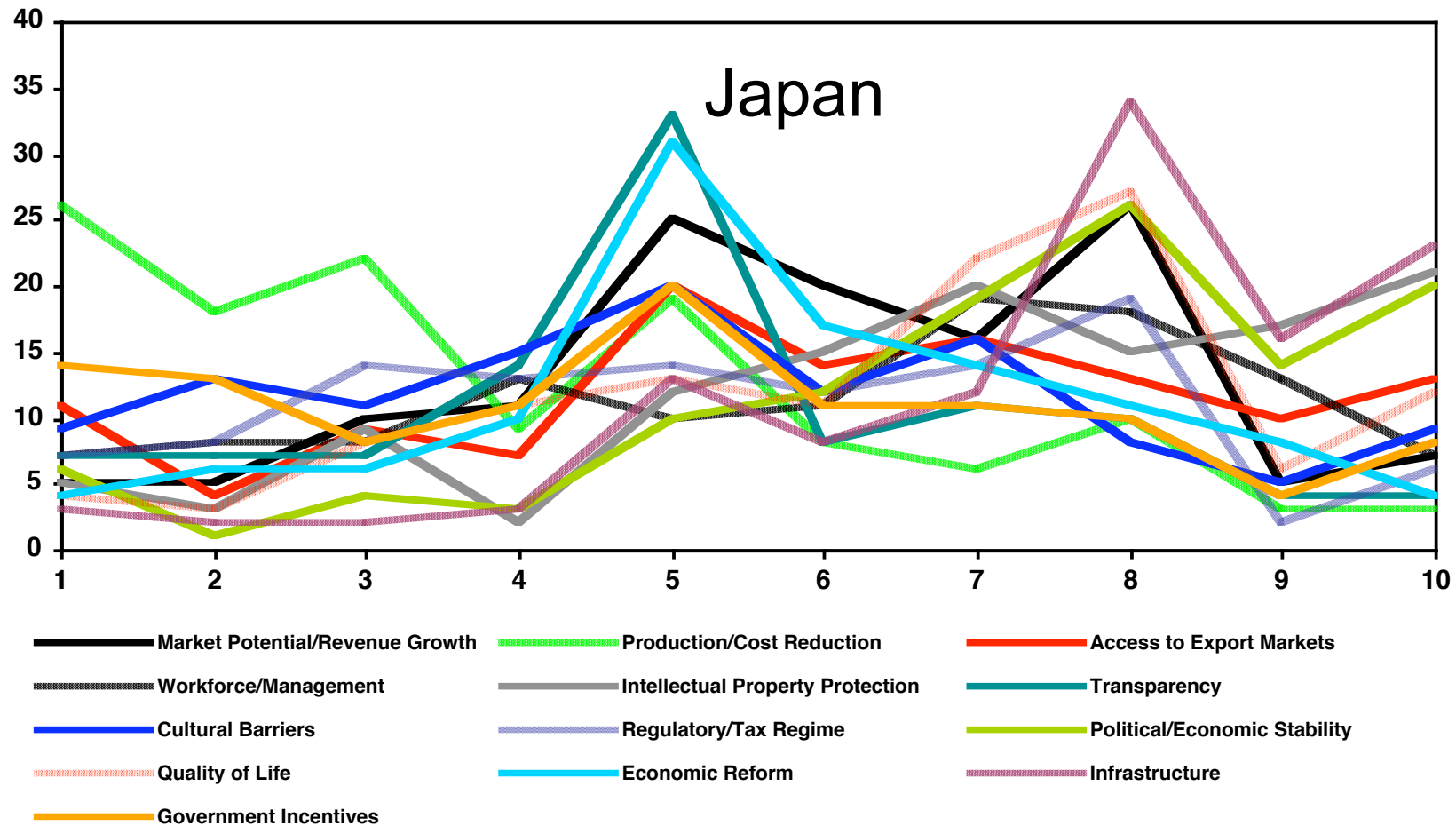
China Was Rated Highest of All Markets in Potential and Cost Reduction
Though Weakest in IPR and Transparency



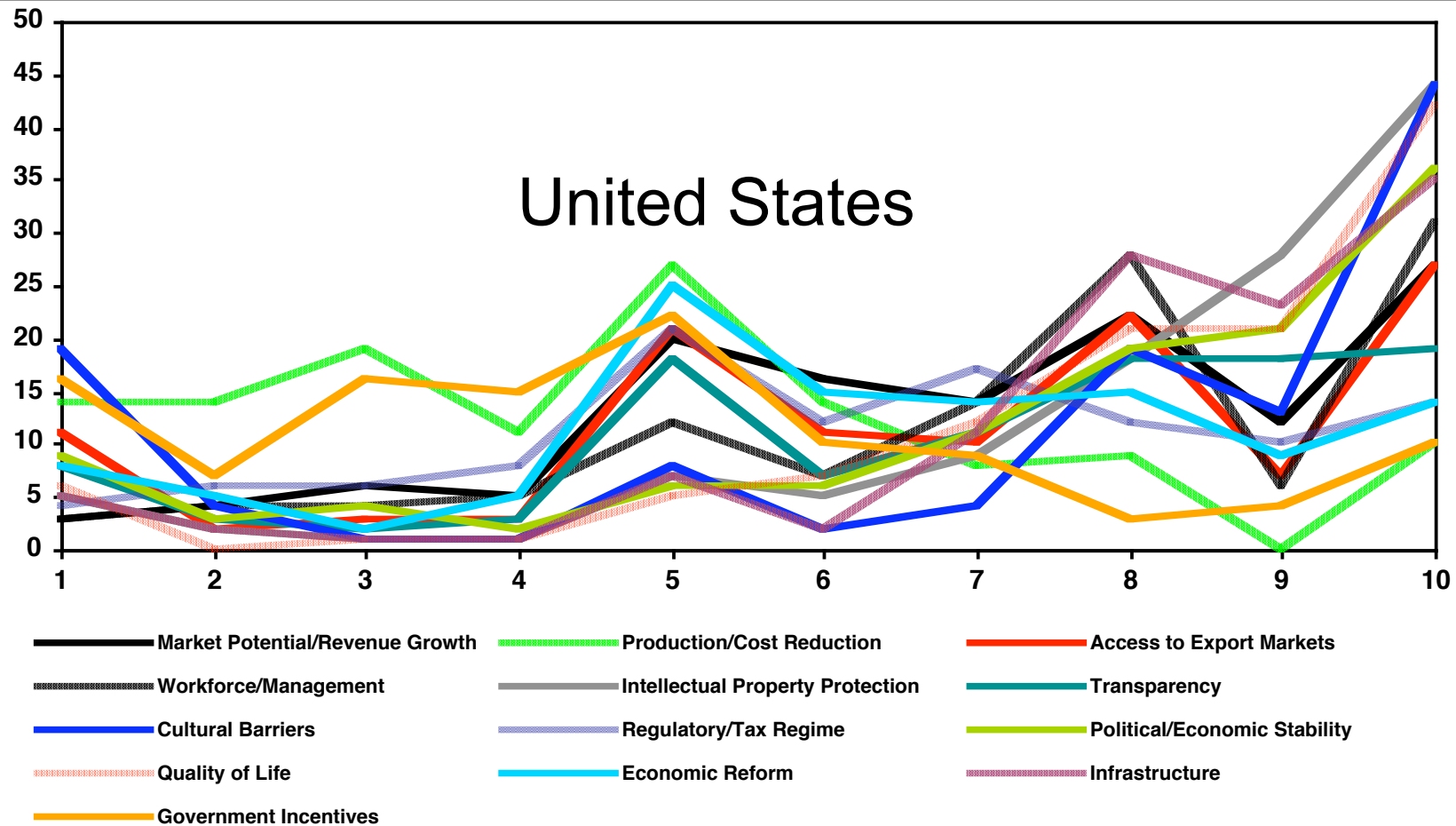
India Received More Neutral Ratings Though Was Perceived as Having More Potential than EU



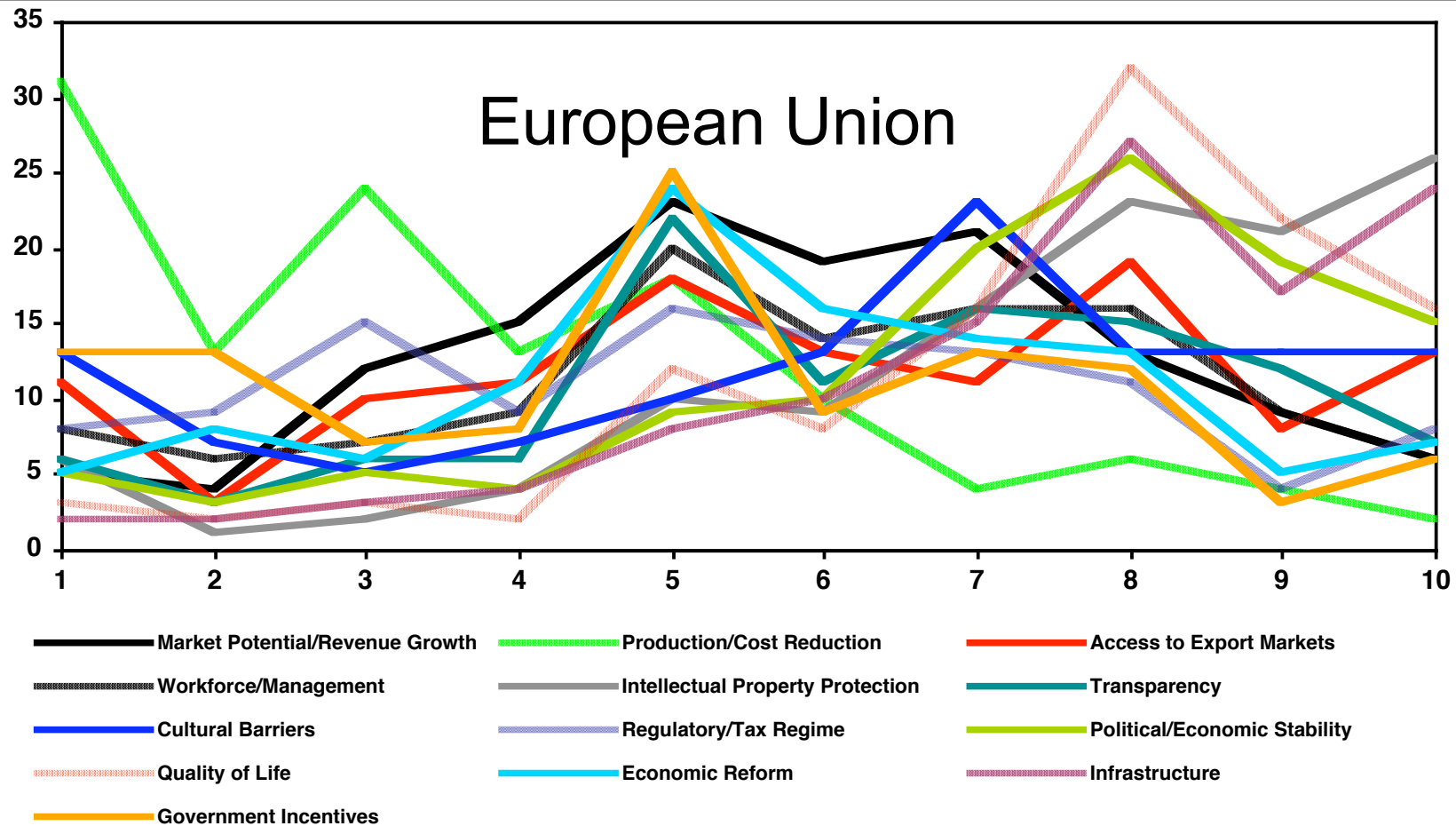
Japan Was Rated Strong on IPR, Low on Cost Competitiveness, having the Most Potential after China/US and Stability after US



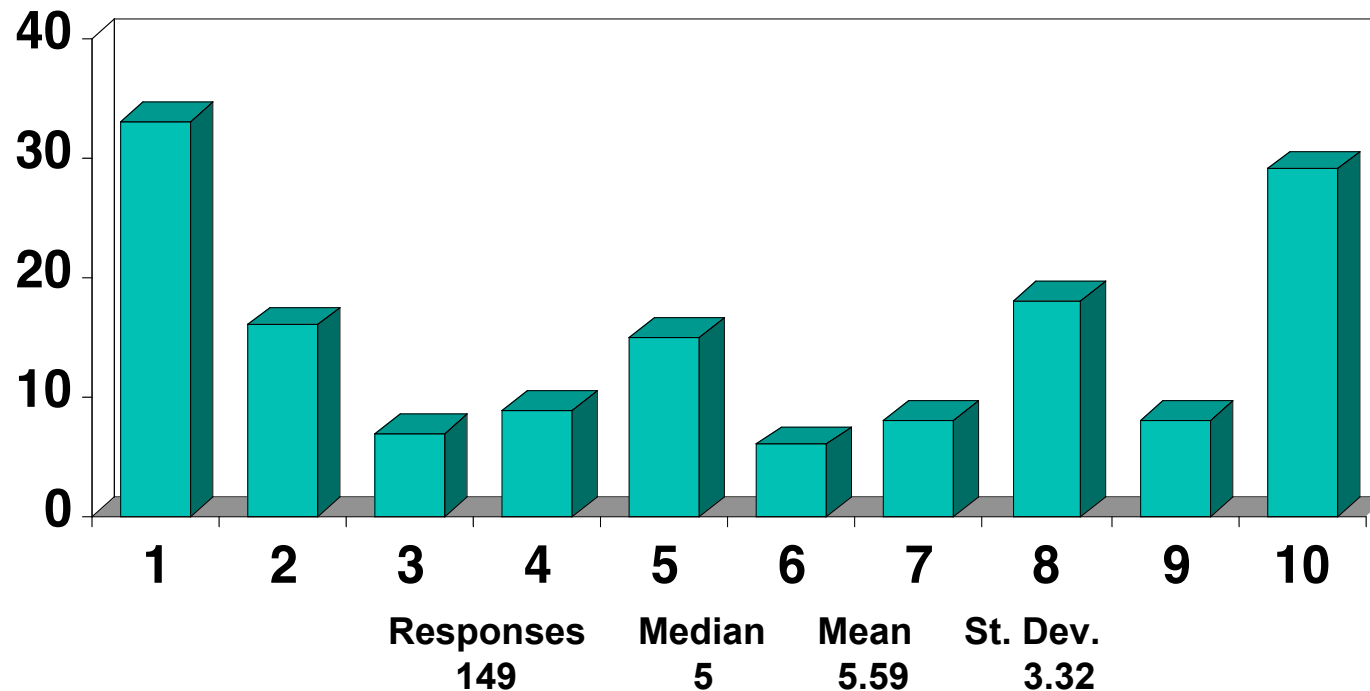
U.S. Seen as Most Attractive Market in Aggregate -- Though Having Less Potential than China, Less Cost Competitiveness than China and India and Least Competitive for Government Incentives



EU Seen as Having Least Potential and Cost Competitiveness, Though Most Competitive after U.S. in IPR, Transparency, Quality Life and Cultural Barriers



While Opinion Highly Divided, In Aggregate, Respondents Only Mildly Troubled about US Outsourcing of Production and Services



18) Are you troubled by current trend toward outsourcing of production and services to entities outside the U.S.? (Please answer on a scale of 1-10, 1 indicating extremely troubled and 10 indicating not at all troubled.)

- “We are giving away US manufacturing base. This will hurt our economy in the long term and also effect our political stability.”
- “Science and technology, manufacturing and engineering are not one dimensional facets of corporate stability. R&D projects are tied to engineering and production development. It takes years to develop new ideas and bring them to a full production realization. It is essential for a national economy to have domestic political control over economic/technological activities on corporations.”
- “Outsourcing is often overrated. Manual labor outsourcing can be cost-effective, but engineering and software development can be a big disaster using offshore sources.”
- “Our aggregate quality of life will decline as high paying technical based jobs are replaced by low paying retail/service sector jobs.”
- “The outsourcing of jobs frees Americans to pursue greater innovations in technology, and foreign places to take care of low end manufacturing and design work. This increases our standard of living while at the same time it increases theirs. History as proven this leads to growth, and greater prosperity for all.”

- “Wages are rising quickly in Indian and China as they are falling here. The supply/demand curve will even everything out.”
- “Outsourcing is a loaded political term. It is no longer useful in making an assessment of global business practices from a purely economic point of view.”
- “US cost structures are not competitive, and engineering in particular does not pay well enough in US to attract top domestic talent. As the engineering resource pool is globalized the effective domestic wages will continue to trend down. The US is destined to become a bit player in technology and will find itself outside primary focus on mass produced consumer products. Like the UK before us, we will continue to play a minor role in technology based on educational institutions, advanced research and concentration of capital.”
- “US, Japan and European Union labor is too high to compete with developing countries. Thus you must seek the cheapest production to compete in a global market.”
- “It's very concerned to see so much US infrastructure outsourced to other countries. I am especially concerned about unfair trade practices of some countries that discourage imports and/or keep their currency artificially low.”

When Asked if They Had Additional Comments, Respondents Noted:

- **“My company is dependent on three factors: 1. How unique the US technology is? 2.How export-ready the US manufacturer is? 3.How favorable the exchange rate is?”**
- **“American companies should spend more effort and money to strengthen the manufacturing capabilities in the United States”**
- **“To expand overseas would be difficult. Craftsmen are hard to find and the the language barrier would be a problem.”**
- **“We will be exporting our services and products and will only ‘outsource’ minimum staffing to other countries.”**
- **“At this time, we have no plans for international expansion of operations because we cannot find the quality of engineers with the necessary government infrastructure to go overseas.**
- **“We may expand sales because of customer opportunities overseas.”**
- **“The Canadian government provides positive business support for companies trying to expand internationally whereas the US government provides companies very little help!”**
- **“The economy is truly global in nature now. A business cannot afford to be patriotic, it must make money to survive. Either go international or die, it's that simple.”**

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