firm-level characteristics. Nevertheless, it is still possible that there are unobservable firm characteristics influencing the success of exporting firms, leading to biased estimation results.

Cost Benefit Analysis

The aggregate value of exports by all TCS clients over the seven-year period of the study (2000-2006) was $260 billion.[5] Based on the estimate that TCS clients generate exports that are 17.9 percent higher than non-clients, the total value of the exports of these TCS clients would have been reduced by 17.9 percent to $220.5 billion, had they not received assistance. The estimated benefit from TCS assistance is therefore $39.5 billion.

Total government spending on the TCS over the period is estimated at $1.4 billion.[6] Dividing the benefit of $39.5 billion by the cost of $1.4 billion, yields the following result: on average **every $1 the government spends on the TCS** results in a **$27 increase in exports.** This must be considered approximate. Results will be underestimated in that the cost of TCS services are included for which the associated benefits are not included (i.e., clients engaged in the export of services and other commercial activities outside of merchandise exports). Overestimation will occur to the extent the 17.9 percent benefit includes the impact of services received in previous years.

3. Changing behaviour of Canadian exporters

Key Findings:

- **Exporters entering new markets make important contributions to Canada's export performance. Between 2000 and 2006, new entrants accounted for all of the growth in exports.**
- **New market entrants have been particularly important for growth in exports to Asia and Latin America. In the U.S. market, they have offset the decline in exports caused by exporters exiting that market.**
- **Not only is the diversification of Canada's export markets shown to be driven by new entrants, but it is the small and medium sized enterprises (SMEs) that are at the forefront of this diversification.**
- **SMEs have increased their share of the value of exports in all regions, and now account for nearly half of Canadian exports in the Asia-Pacific region.**

General profile of Canadian exporters

The number of Canadian exporters peaked in 2004 and has trended down since then (See Figure 5)[7]. As shown below, this decline in the number of exporters since 2004 is largely due to SME exporters departing the U.S. market. During the study period, Canadian exporters exported $360 billion and employed 3.4 million people annually. Total employment by Canadian exporting firms accounted for a fourth of total Canadian employment during this period. Both export values and employment peaked in 2005 before dropping in 2006.

Between 1999 and 2006, a typical Canadian exporter had been, on average, in business for 8.8 years, employed 73 people, exported 4.6 products to 2.0 countries, and generated total export sales worth $7.6 million.

5 It should be noted that this export value excludes TCS clients that were eliminated from the regression analysis due to missing data in the Business Register.

6 This amount includes the cost of maintaining TCS offices both abroad and headquarters. It does not include the cost of FDI promotion, which the study does not measure, or of the trade policy activities of DFAIT.

7 Statistics Canada's publication "A Profile of Canadian Exporters" http://www.statcan.gc.ca/pub/65-506-x/65-506-x2008001-eng.pdf excludes the firms with annual exports less than $30,000. In this study, all exporters are included; therefore, the number of exporters reported in this paper is greater than that reported by Statistics Canada.