Assuming that λ_i are log-linearly dependent on the explanatory variables, we can write:

$$\ln\lambda_i = \beta_0 + \Sigma_j\beta_j x_{ij} \qquad (2)$$

Maximum likelihood estimators of (2) are readily available in most specialised econometric packages[9].

In entry/exit in foreign countries/primary industry equations, basic explanatory variables can be summarised as follows:

$$\Sigma_j\beta_j x_{ij} = \beta_1 C_i + \beta_2 GR_i + \beta_3 MS_i + \beta_4 CR_i + \beta_5 SEM_i \qquad (3)$$

where:

C^*_i = Number of countries (in logs) firm i was not present in 1987 in its primary industry. This variable is used only in entry equations;

C_i = Number of countries (in logs) firm i was present in 1987 in its primary industry. This variable is used only in exit equations;

these two variables capture the number of entry/exit options available to the firm. In the entry equation, it is expected to be positive if firms operating in a limited number of countries are more likely to enter new foreign countries than firms whose operations are already widely scattered throughout Europe. Analogously, in the exit equation it is expected to be positive if firms operating in a large number of countries are more likely to close foreign plants than firms operating in a small number of countries.

GR_i = 1991-1987 EU Growth Rate in firm i's primary industry. This variable measures expected growth prospects and is expected to enter positively in entry equations and negatively in exit equations.

[9] For the ML estimates of (2) we used Limdep 7.