

## **Abstract**

Globalization has facilitated capital movement around the world, and the growth pattern of the European economy has received widespread attention. The relevant literature reveals that FDI's influence on economic growth is mainly in capital accumulation, technology transfer, and the introduction of management experience. Moreover, innovation is important factor to drive long-term economic development. Meanwhile, it is found that the joint effect between FDI and innovation may impact the economy's growth. This thesis adopts the analytical method of panel data fixed-effects regression and collects relevant data from several European countries between 1998 and 2021, including FDI inflows, innovation indicators (e.g., research and development expenditure, scientific articles, and patent applications) and the GDP, etc. The data show that FDI is significantly and positively correlated with the economy's growth in European countries. Specifically, the scientific articles also significantly and positively affect the growth of the economy in European countries. Our analysis finds that there is a threshold for the volume of R&D and FDI in European economies. Finally, this thesis presents and discusses a series of policy recommendations.