

PRESS RELEASE

25 September 2025

The EU is gaining influence in Eastern Europe, but losing ground to China in North Africa and Turkey

- *A new geo-economic index measures the strength of the EU in its own neighbourhood*
- *The EU remains the strongest player, but China is emerging as its key rival*
- *There has been a loss of economic influence in North Africa and the Middle East*
- *The EU is the strongest player in Ukraine and Moldova, at Russia's expense*
- *Russia's influence in the EU's eastern neighbourhood is in steep decline*
- *The EU's strong position in the Western Balkans is at risk*
- *The EU has lost influence in Turkey to China and Russia*

Geopolitical tensions are coming to a head: in the fourth year of war, Russia's invasion of Ukraine is escalating; China's threats against Taiwan are growing more strident; and Trump's trade dispute with the whole world is creating economic uncertainty, while the US is turning away from Europe and is heading towards a new Cold War with China. Caught in the middle, the EU is struggling to respond adequately to the return of great power politics.

'This raises the question of how the changed geopolitical situation is manifesting itself on the EU's doorstep and whether the Union can also use its economic power to gain political ground in its neighbourhood,' says Etienne Höra, trade expert at the Bertelsmann Stiftung and co-author of the study.

Against this backdrop, the Vienna Institute for International Economic Studies (wiiw), the Bertelsmann Stiftung and the European Centre for International Political Economy (ECIPE) have developed a new geo-economic interconnectivity index called GEOII. It measures the development of the EU's geo-economic influence in its neighbourhood between 2010 and 2023. The index highlights the EU's strengths, as well as areas where strategic action is required. The key findings, including comprehensive recommendations for action by the EU, are presented in a joint study.

Specifically, trade and financial flows, as well as political interdependencies, are used to analyse the strength of the EU in its eastern neighbourhood, the Western Balkans, Turkey and its southern neighbourhood in North Africa and the Middle East, compared with China, Russia and the US. The dimensions of trade and financial interdependence comprise 22 and 7 indicators, respectively. Meanwhile, the political dimension highlights 14 indicators, ranging from trade agreements and legal regulations to arms deliveries.

China is emerging as the EU's main rival

Key findings: Overall, the EU remains the strongest player in its neighbourhood, but China is clearly emerging as its strongest competitor, even though Beijing's influence varies from one region to another. In general, China's footprint is growing in the areas of trade, infrastructure projects and investment. Although the EU remains the strongest player on its southern periphery (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria and Tunisia) and Turkey, it has lost ground to China in economic terms, for example in the export of high-tech goods. Politically, however, it maintains close ties with those countries.

'The Middle East, North Africa and Turkey are good examples of how, for the EU, stronger political ties do not necessarily translate into more intensive economic cooperation. The opposite is true, even though the EU is still the most important trading and investment partner for these countries. For stronger economic ties, the Union would also have to intensify its economic efforts, so as not to leave the field to China,' says Philipp Lamprecht, trade economist and director at ECIPE.

The EU is the strongest player in Ukraine and Moldova, at the expense of Russia

In the EU's eastern neighbours (Ukraine, Moldova, Belarus, Georgia, Armenia and Azerbaijan), China is in retreat – having held a comparatively weak position. In the east, the EU has gained significant influence at Russia's expense, overtaking it as the dominant player, especially in Ukraine and Moldova. However, Russia still holds a strong military position and its aggression against Ukraine is destabilising the region. On its eastern front, the Union now patently sets the tone in terms of trade, financial ties and politics, clearly reversing the previous balance of power. A key reason for this has been the EU candidate status granted to Ukraine and Moldova after the Russian invasion, while a third candidate country, Georgia, is stagnating in its ties with the EU.

Moscow is losing influence

Russia is the big loser in the EU's eastern neighbourhood, especially since its large-scale invasion of Ukraine in February 2022. This is also reflected in hard-power indicators, such as arms deals. Just 15 years ago, it was the most important arms supplier to those countries; but due to the extensive arms deliveries by EU countries to Ukraine, the EU now holds that position. Moscow continues to maintain very close relations only with Belarus and Armenia. Although the US provides considerable military and financial support to Ukraine, its economic and political footprint in the region remains modest.

'Brussels and the member states must redouble their efforts to successfully integrate Ukraine and Moldova, but they must not forget Georgia in the process, lest they cede the field to Russia again or invite China into the EU's direct sphere of influence,' states Richard Grieverson, deputy director of wiiw and co-author of the study.

The EU's strong position in the Western Balkans is at risk

The neighbouring region with the strongest ties to the EU in every respect is the Western Balkans, i.e. Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. All six countries are candidates for EU membership, and four of them are already in

accession negotiations with Brussels. However, a political lack of interest in Western Europe, a protracted accession process and an increasingly assertive China are jeopardising the EU's long-term influence in the Western Balkans. *'It is more important than ever to view the Western Balkans more from a geo-economic perspective and to make strategic geo-economic issues in this region a clear priority for policy makers in Brussels,'* says Philipp Lamprecht of ECIPE.

According to the GEOII index, the EU is the clear leader in all three areas – trade, finance and politics. However, China is already in second place, having significantly expanded its position through strategic partnerships and infrastructure investments, particularly in Serbia and Montenegro. Russia, on the other hand, has steadily lost geo-economic influence in the six Western Balkan states. Although the US maintains a certain degree of political cooperation, it plays hardly any role economically.

'In order to maintain its strong position in the Western Balkans, limit the influence of external competitors and bring these countries closer to Europe more quickly, the EU needs a reformed accession process that allows for gradual EU membership in certain areas before full membership,' says Etienne Höra of the Bertelsmann Stiftung.

The EU is losing influence in Turkey to China and Russia

Relations with Turkey, one of the EU's most important economic partners in the region, also remain challenging. The customs union of 1995 between Brussels and Ankara led to a sharp increase in trade between Turkey and the EU. However, geopolitical tensions and strong competition from China and Russia have undermined the EU's position, particularly in the areas of finance and high-tech exports. Beijing has been able to significantly increase its exports of high-tech products to Turkey, and is also investing more and more money in new greenfield projects, such as a big new factory for electric cars built by Chinese manufacturer BYD.

At the same time, Russia has become the most important supplier of fossil fuels and raw materials, and has also been able to expand its defence cooperation with Turkey, as evidenced by the controversial sale of the Russian S-400 air defence system to the NATO member state. The position of the US in Turkey, on the other hand, has been weakening for some time, especially in the areas of trade and investment – not least because of security tensions between Ankara and Washington.

'It is therefore of strategic importance for the EU to modernise the customs union with Turkey and expand it to the areas of agriculture, services and public procurement. This could unlock the full economic potential and keep competitors China and Russia at bay,' says Richard Grieveson of wiiw. *'Ultimately, a modernised customs union is also a matter of strengthening Turkey's political ties to the EU,'* continues Grieveson.

[The full study is available for download here.](#)

[On 1 October, the geo-economic interconnectivity index GEOII will be presented at an online event.](#)

About the Vienna Institute for International Economic Studies (wiiw)

Founded in 1972, the Vienna Institute for International Economic Studies (wiiw) is an economic think tank that produces economic analyses and forecasts on 23 countries in Central, East and Southeast Europe. In addition, wiiw conducts research in the areas of European integration, macroeconomics, international economics, industrial studies, labour markets and regional development. www.wiiw.ac.at

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About the European Centre for International Political Economy (ECIPE)

The European Centre for International Political Economy (ECIPE) is a research-based think tank in Brussels providing decision-makers and observers with sound economic and political analysis on European and international trade policy, regulation, the Single Market, digital economy, globalisation and other international economic policy issues of importance to Europe. Founded in 2006, ECIPE conducts policy research and publishes papers, briefs, and books, as well as organising seminars, conferences and roundtables. www.ecipe.org

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