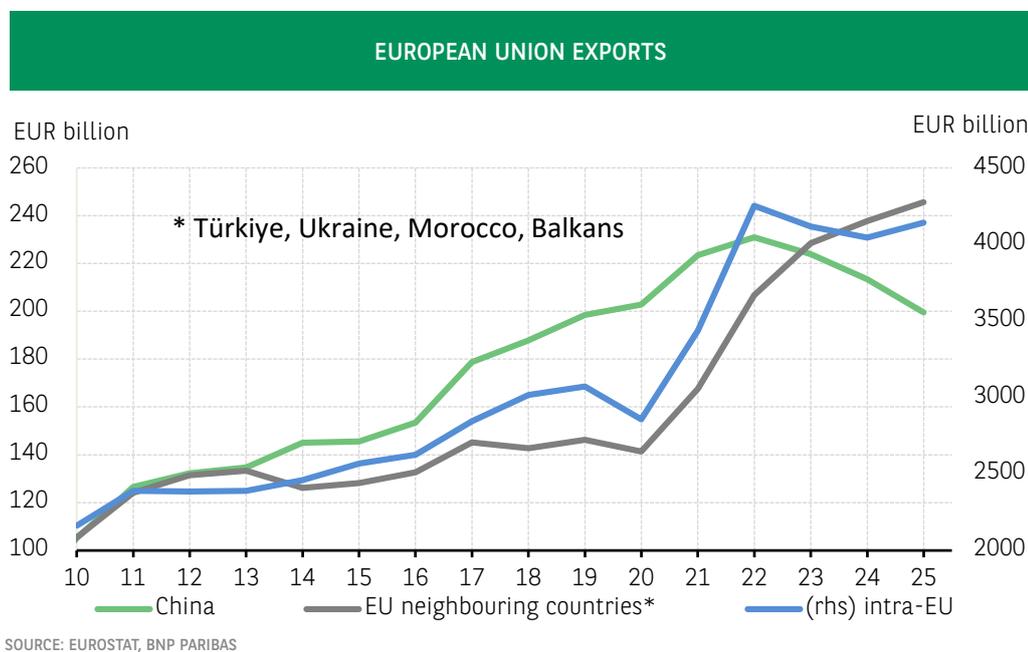


THE EUROPEAN 'NEIGHBOURHOOD': AN IMPORTANT GROWTH DRIVER FOR EU EXPORTS

Guillaume Derrien



Fewer exports to China... Market opportunities in China are shrinking dramatically due to the country's shift towards higher-end products and its import substitution policy. 2025 marked an unprecedented turning point in this regard: European exports to China fell by 14% in nominal terms and by 10.2% in volume, as the country's share of total EU exports (7.5%) reached its lowest level in nearly fifteen years.

... but more exports between European partners and neighbours. European exports outside the EU area, however, grew in 2025, posting a nominal increase of 2.0%, alongside a rebound in intra-zone trade (up 2.5%). Strong demand in the pharmaceutical sector led to a resurgence in exports to Switzerland (+13.5%). At the same time, European exporters have been exploring alternative markets in their immediate vicinity since 2020, and increased access to these markets is now timely. Türkiye, Morocco, Ukraine and the Balkans¹ are capturing a growing share of European exports. A pivotal moment was reached in 2023, when the total exports to these countries exceeded those to China². This bloc now accounts for nearly 10% (9.4% in 2025) of total EU exports, excluding intra-zone trade.

The machinery and equipment sector is benefiting most from this trend (despite experiencing a sharp decline in its markets in China). These developments are closely linked to rising European investment in these countries, which are therefore eligible for EU funding (notably from the European Investment Bank or, in the future, under *Readiness 2030*).

A structural reinforcement that is set to increase. Economic ties between the EU and its neighbours are strengthening: trade in goods (total exports and imports combined) has reached 8.5% of the EU's overall trade, excluding intra-zone trade. This shift in European trade patterns is structural and reflects the industrial transformation of these countries, which are becoming increasingly integrated in the European value chain. Türkiye and Morocco are importing more intermediate goods from the EU and re-exporting more finished goods back to the EU, particularly in the automotive sector. For Ukraine, the dynamics are different. However, current demand for equipment, particularly military equipment, along with the demand that is expected during reconstruction, will bolster European exports. The Balkan countries, meanwhile, are benefiting from the EUR 6 billion European Growth Plan and greater integration into the EU single market.

These growth drivers for European companies are set to strengthen in the coming years, with initiatives aimed at relocating some industrial activities closer to the European market (nearshoring). This trend is anticipated to develop in tandem with the expected strengthening of intra-EU trade, driven by increased investment efforts. It should also benefit those who qualify for access through the advancement of European preference policies, which are central to the Industrial Accelerator Act introduced by the European Commission on 4 March.

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1 Includes Serbia, Albania, Montenegro, Bosnia and Herzegovina, North Macedonia and Kosovo.

2 Specifically, between 2019 and 2025, EU exports grew by 68% to Türkiye, 58% to Morocco, 92% to Ukraine and 57% to the Balkans.



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