

# EU Economic Crossroads: Navigating Global Shocks, Trade Wars, and Defense

EU Economics · Answer Key · 14 Questions

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**1. In 2024, which of the following factors was a primary driver for the reported 5% decrease in Foreign Direct Investment (FDI) projects in Europe, reaching a nine-year low?**

- A) A surge in renewable energy investments and technological advancements.
- B) Persistent high energy prices, low economic growth, and geopolitical tensions.**
- C) A significant increase in intra-EU trade agreements and market harmonization.
- D) Subsidies provided by the EU to encourage domestic manufacturing.

**2. The EU's trade fragmentation, influenced by global geopolitical shocks, is likely to have pronounced effects due to its high level of integration into global value chains. What percentage of EU GDP did total extra-EU trade account for in 2024, highlighting its openness?**

- A) Approximately 15%
- B) Approximately 25%
- C) Approximately 45%**
- D) Approximately 60%

**3. Following geopolitical tensions and security threats, defense expenditure in the EU increased to 1.3% of GDP in 2023 and was estimated to rise further in 2024. What is the projected defense spending as a percentage of GDP for the EU in 2025, according to the Commission Spring 2025 Forecast?**

- A) 1.4%
- B) 1.5%
- C) 1.6%**
- D) 1.7%

**4. Amidst global uncertainties in 2025, the EU's economic outlook projects lower growth. What was the projected growth rate for the EU economy in 2025, according to the European Commission's outlook?**

- A) 0.9%
- B) 1.1%**
- C) 1.5%
- D) 2.0%

**5. The EU's reliance on foreign sources for semiconductors has been highlighted as both an economic and strategic risk. What percentage of global chips does the EU consume, while producing only what percentage?**

**A) Consumes 20%, produces 9%**

B) Consumes 30%, produces 15%

C) Consumes 10%, produces 5%

D) Consumes 25%, produces 12%

**6. In the context of trade fragmentation and geopolitical rivalry, the EU's policy focus is on de-risking supply chains. What is the primary strategy the EU is employing to bolster its supply chain resilience?**

A) Complete withdrawal from global trade to focus solely on domestic production.

B) Increased reliance on a single, dominant supplier to reduce transaction costs.

**C) De-risking through resilience, diversification of supplies, and targeted partnerships.**

D) A moratorium on all foreign direct investment to protect local industries.

**7. What was the reported deficit of the EU with Beijing in 2025, representing an 18% increase from the previous year, largely attributed to Chinese goods being diverted from the US market due to US tariffs?**

A) EUR250 billion

**B) EUR360 billion**

C) EUR410 billion

D) EUR500 billion

**8. The European Green Deal aims for climate neutrality by 2050. However, a review in early 2025 indicated a mixed picture. What is the status of the targets for reducing greenhouse gas emissions by 55% by 2030?**

A) All targets are on track for timely achievement.

**B) Significant acceleration is required for most targets.**

C) The targets are regressing due to external economic pressures.

D) Sufficient data is available to confirm achievement of all targets.

**9. In response to global semiconductor shortages, the European Chips Act aims to increase Europe's global market share in chip production. What is the target market share for the EU by 2030?**

A) 10%

B) 15%

**C) 20%**

D) 25%

**10. What was the estimated total value of EU Member States' collective defense budgets in 2025, reflecting a significant increase in defense spending?**

- A) EUR279 billion
- B) EUR343 billion
- C) EUR381 billion**
- D) EUR450 billion

**11. The impact of increased US tariffs and resulting trade tensions on the EU economy in 2025 has led to a downgrade in GDP forecasts. What is the projected impact on EU GDP growth, according to one analysis?**

- A) A 0.1% reduction
- B) A 0.5% reduction**
- C) A 1.0% reduction
- D) A 1.5% reduction

**12. In 2024, European agriculture experienced contrasting conditions due to climatic, economic, and geopolitical factors. Which of the following Member States recorded spectacular increases in agricultural production, driven by strategic investments and adaptation?**

- A) France, Germany, and Italy
- B) Latvia, Luxembourg, and Sweden**
- C) Spain, Portugal, and Greece
- D) Poland, Hungary, and Romania

**13. The EU's increasing defense spending is projected to have a positive, though limited, impact on GDP growth. What is the estimated fiscal multiplier for additional defense spending over two years, meaning every EUR100 spent would boost GDP by approximately how much?**

- A) EUR25
- B) EUR50**
- C) EUR75
- D) EUR100

**14. Regarding EU supply chains, despite policy objectives for de-risking, what has been the trend in companies' exposure to China over the past six years, as of early 2026?**

- A) Exposure to China has decreased materially.
- B) Exposure to China has remained largely unchanged.
- C) Exposure to China has risen materially.**
- D) Exposure to China has been completely eliminated through nearshoring.