

South Korea's Economy on Shifting Sands: AI Boom, Tariffs, and Global Trade

South Korea Economy · Answer Key · 12 Questions

1. In 2025, South Korea's semiconductor industry faced structural challenges due to intensifying global competition. Which of the following was identified as a key area of vulnerability regarding its market position?

- A) A decline in demand for memory semiconductors.
- B) A significant increase in domestic production capacity.
- C) The industry's deep integration into the China-centered supply chain.**
- D) A shift towards focusing solely on high-end AI-specific chips.

2. South Korea's export performance in 2025 saw a record-breaking achievement. What was the primary driver behind this surge?

- A) A significant increase in demand for consumer electronics.
- B) Robust semiconductor exports fueled by growing demand for AI applications.**
- C) A recovery in the global shipbuilding market.
- D) Increased trade with developing African nations.

3. In response to US tariff policies and changing global dynamics in 2024-2025, what strategic shift did South Korea's automotive industry undertake?

- A) A complete withdrawal from the North American market.
- B) A concentrated effort to increase exports solely to China.
- C) Diversification of global markets and a focus on environmentally friendly vehicles.**
- D) A significant reduction in research and development for electric vehicles.

4. Global energy price volatility, particularly following events like the Iran conflict in early 2026, poses a significant risk to South Korea's economy. What is the primary reason for this vulnerability?

- A) South Korea's strong domestic energy production capabilities.
- B) Its high dependence on imported energy, with a substantial portion sourced from the Middle East.**
- C) A deliberate policy to phase out all fossil fuel energy sources by 2025.
- D) The country's complete reliance on renewable energy for industrial needs.

5. In 2025, South Korea became the chair of the Mineral Security Partnership (MSP). What was a key motivation for this leadership role?

- A) To reduce its reliance on imports of rare earth elements and other critical minerals for its technology sectors.**
- B) To exclusively focus on developing domestic mining operations for all critical minerals.
- C) To facilitate greater mineral exports to China.
- D) To decrease its participation in global technology supply chains.

6. The Bank of Korea, in May 2026, signaled an imminent interest rate hike. What was the primary factor driving this hawkish monetary policy stance?

- A) A sharp decline in export growth.
- B) Persistent inflationary pressures, partly due to rising energy costs.**
- C) A significant decrease in foreign direct investment.
- D) A contraction in the country's GDP.

7. South Korea's trade relationship with the United States has seen shifts. By 2025, what trend was observed regarding trade balance with the U.S.?

- A) A consistent and widening trade deficit for South Korea.
- B) A significant increase in South Korea's trade surplus with the United States.
- C) A marginal decrease in South Korea's trade surplus with the United States.**
- D) A complete elimination of trade tariffs between the two countries.

8. The global semiconductor industry in 2025 is characterized by geographic specialization. Which critical role do Taiwan and South Korea collectively play in this sector?

- A) They exclusively produce semiconductors with nodes above 10 nanometers.
- B) They collectively produce 100% of semiconductors with nodes under 10 nanometers.**
- C) They are major producers of legacy semiconductor technology only.
- D) They have recently exited the global semiconductor supply chain.

9. South Korea's economy in the first half of 2025 experienced a slowdown, partly due to political gridlock. What factor helped the economy rebound in the second half of the year?

- A) A decline in global demand for manufactured goods.
- B) A decrease in semiconductor exports.
- C) Political stabilization following an election, fiscal stimulus, and robust semiconductor exports.**
- D) A complete withdrawal from international trade agreements.

10. In response to US tariff hikes on its automotive sector, South Korea announced emergency measures. What was one of the key strategies employed?

- A) A complete halt to all electric vehicle production.
- B) Shifting focus to domestic and 'Global South' markets and diversifying trade support.**
- C) Reducing electric vehicle subsidies to encourage traditional car sales.
- D) Cessation of all trade relations with the United States.

11. South Korea's industrial structure in 2024 was described as having a 'triple-exposure' vulnerability. What does this refer to?

A) High dependence on imported energy, a manufacturing-centric economy, and heavy industrial energy use.

B) Over-reliance on domestic energy sources, a service-based economy, and low industrial energy consumption.

C) Minimal reliance on imports, a focus on agriculture, and high energy efficiency.

D) Dependence on technology exports, a small manufacturing base, and low energy prices.

12. By 2025, South Korea aimed to increase the number of its Free Trade Agreements (FTAs) to a level that would account for what percentage of global GDP?

A) 50 percent

B) 70 percent

C) 90 percent

D) 100 percent