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US MIDTERM ELECTIONS
Implications for Italy

A GRO Executive Brief from
“**Road to U.S. Midterm Elections Amid Geopolitical Tensions**”

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US MIDTERM ELECTIONS Implications for Italy

A business and investor perspective

The 2026 US midterm elections arrive against an unusually turbulent geopolitical backdrop and at a moment when Italy itself is entering a phase of greater domestic uncertainty. This brief sets out the principal conclusions of a recent closed-door discussion among practitioners in business, finance, diplomacy and politics. It is written for a commercial and investment audience and focuses on what is likely to ***change*** *and, importantly, what is not.*

01 Key takeaways

- **Limited direct disruption from the midterms.** The most probable outcome (Republicans losing the House while retaining the Senate) would not materially alter the administration's posture toward Europe. Policy continues to be driven largely through executive action rather than Congress.
- **Tariffs remain the central commercial variable.** The headline EU rate now sits at roughly 10% under a temporary measure due to lapse in late July, with steel and aluminium still exposed to far higher duties. The trajectory, not the current number, is what businesses should plan around.
- **Domestic Italian risk is rising.** After four years of unusual stability, a more fragmented political landscape and a contested electoral reform introduce uncertainty that is at least as relevant to investors as Washington's politics.
- **Geopolitical tail risk runs through energy.** Continued fragility in the Middle East, and specifically around the Strait of Hormuz, remains the most plausible channel for a sudden shock to European input costs.

02 Why the midterms matter less than they appear

A recurring theme of the discussion was that **the midterms are unlikely to be a turning point for transatlantic relations**. US presidents are constrained by Congress far less than commonly assumed when they govern through executive orders, and the current administration has leaned heavily on that instrument. The consensus expectation is that the House may change hands while the Senate holds, but that this would not prompt a strategic recalibration. Rather than moderating to protect his party, the President is expected to “double down” on the approach he regards as successful. For European businesses, this means the source of policy volatility – rapid, executive-driven decisions – will persist regardless of the November result.

The more consequential shift is structural. Europe is adjusting to a world in which it can no longer assume open-ended American security guarantees, cheap Russian energy, or unconstrained access to the Chinese market. That recalibration – visible in recent and upcoming G7 and NATO discussions on defence spending and burden-sharing – will outlast any single election cycle and reshape the operating environment for European firms over the medium term.

03 The commercial pressure point: trade and tariffs

Tariffs were identified as the principal instrument through which US policy reaches European, and Italian, balance sheets – and as a lever deployed for broader leverage, including on the war in Ukraine. The picture is genuinely fluid. A US court decision earlier this year lowered the effective rate on most EU goods, but the replacement measure is temporary and scheduled to expire in late July unless extended, while sector-specific duties on metals remain materially higher. A broader EU–US framework is advancing but is not ratified, and treating the current rate as a stable baseline would be a mistake.

The exposure is concentrated in precisely the sectors that define Italian export strength: machinery, fashion, food and beverage, pharmaceuticals, and premium automotive. These are largely manufactured domestically, leaving limited room to mitigate duties by relocating production. The encouraging counter-evidence is that Italian exports to the US have so far proved resilient despite the duties already in place – a reminder that the “Made in Italy” premium provides some pricing insulation. The prudent planning assumption is continued unpredictability rather than either a return to the prior regime or a decisive escalation.

04 The under-priced risk: Italian political uncertainty

Several participants argued that the more immediate uncertainty for those operating in Italy is domestic. The stability of recent years was characterised as partly circumstantial rather than structural, and the period ahead is expected to be more volatile across the political spectrum. A proposed electoral reform – built around a governability bonus contingent on a winning coalition reaching a defined vote threshold – could either entrench stable majorities or, if no coalition clears the bar, produce a far more fragmented and unpredictable result. For investors, this argues for monitoring the reform's passage as closely as developments in Washington.

A connected, and more optimistic, thread concerned competitiveness. The recurring obstacles cited were bureaucratic burden and the difficulty of doing business – structural challenges that European recovery funds were partly intended to address through public-administration, justice and tax reform. The framing was constructive: the priority is to make it easier to build and retain enterprise and talent at home, and progress on these domestic levers is substantially within Italy's own control.

05 Outlook

The base case is continuity in US policy, with the midterms reshaping internal party dynamics more than transatlantic substance. Businesses should plan for an environment of persistent, executive-driven volatility rather than a clean break in either direction. Three variables warrant close monitoring over the coming months: the fate of the temporary tariff measure and the broader EU–US framework; the passage and design of Italy's electoral reform; and the stability of the Middle East ceasefire, whose principal transmission channel to Europe runs through energy prices and the Strait of Hormuz. None of these is resolved, and each is more likely than the midterms themselves to move the dial for Italian business.

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