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**The Global Fallout of US Political Volatility:
How International Allies Are Hedging Ahead
of the US Midterm Elections**

By

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8 October 2026

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Page | 2

Table of Contents

Executive Summary	Page 3
1. Navigating US Political Volatility: Global Allies and Strategic Hedging.....	4
1.1. US Midterm Elections: What Is Their Purpose?.....	4
1.2. European Defence Autonomy and Defence Spending Expansion.....	4
1.3. Cross-Regional Coalitions and Strategic Insurance Beyond the US.....	5
1.4. Hedging Against Trade Volatility: Bilateral Deals and Direct Resource Partnerships.....	5
NOTES	6



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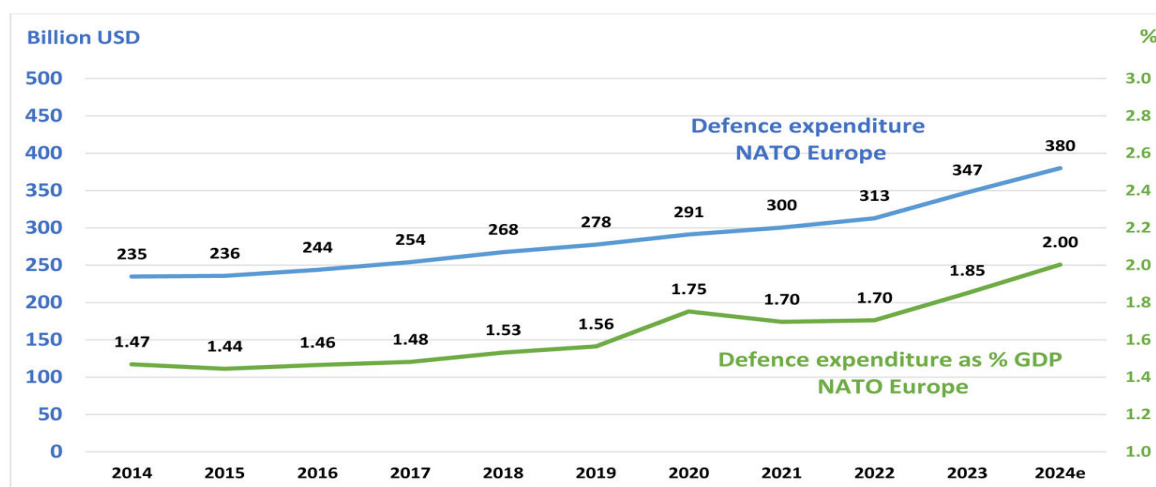
8 October 2026

Page | 3

Executive Summary

- ✦ The upcoming November 3 midterm elections will determine congressional control for the final two years of Donald Trump's presidential term.
- ✦ Midterms serve as a public assessment of the incumbent administration and can change presidential authority if opposition forces secure majorities.
- ✦ All 435 House seats and approximately one-third of the 100 Senate seats are up for election, with Democrats needing a net gain of three seats to capture the House.
- ✦ Congressional shifts directly impact global military aid, security alliances, trade rules, tariffs, climate policy, and international tech regulations.
- ✦ European allies are increasing military spending and modifying industrial frameworks to reduce dependence on US military financing and defence equipment.
- ✦ Middle powers across Asia, West Asia, and the Americas are forming minilateral security pacts and regional coalitions as structural insurance against shifts in US policy.
- ✦ Countries like China are leveraging shifting alliances to promote a multipolar world order, while non-US states explore independent defence and trade options.
- ✦ Global powers are diversifying trade agreements and securing essential raw material partnerships to protect their economies from volatile US trade laws and tariffs.
- ✦ Foreign governments are adapting their diplomatic strategy by building direct relationships with state governors, local trade envoys, and individual lawmakers rather than relying solely on the executive branch.
- ✦ To insulate critical industries from domestic-sourcing mandates and shifting US subsidy rules, European and Asian capitals are establishing long-term bilateral mineral and metal supply partnerships.
- ✦ International allies are adapting their diplomatic strategy by entering direct regional agreements, such as the UK's Memoranda of Understanding with individual states like Texas and California, to access key economic sectors without needing federal approval.

Key Picture: NATO Europe Defence Expenditure in 2015 Prices and as a % of GDP NATO Europe



Source: [NATO](#)

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1. Navigating US Political Volatility: Global Allies and Strategic Hedging

1.1. US Midterm Elections: What Is Their Purpose?

The forthcoming US midterm elections on November 3 will decide which party holds the majority in Congress during the final two years of Donald Trump's second presidency.¹ Midterm elections occur two years following a presidential election and can serve as an indicator of broader political trends heading into the next presidential cycle. Although the presidency and vice-presidency are not on the ballot, midterm results are frequently interpreted as a reflection of public sentiment toward the incumbent administration, with gains or losses by either major party often viewed through that lens.²

During these elections, all 435 seats in the US House of Representatives and approximately one-third of the 100 US Senate seats are up for election, alongside various state-level offices. Should the opposition party gain control of either house of Congress, it would significantly increase their ability to challenge or block the sitting administration's legislative priorities. Although Republicans currently hold narrow majorities in both chambers of Congress, forecasts indicate that control of both bodies could shift to the Democrats. Because the House majority is so slim, Democrats need a net gain of only three seats to take control.³

The midterm will predominantly focus on internal matters, such as the economy, healthcare, tax policy, border management, and voter assessment of the second Trump administration. However, the outcome will have major effects around the world, not just in the US.⁴ It is set to carry significant weight for relations between the US and its international partners⁵ as congressional decisions directly dictate military aid, security alliances, and diplomatic commitments from Europe to Asia. Beyond national security, the composition of Congress shapes global economic rules, influencing trade policies, tariffs, and relations with major economies like China and the EU, while also driving US positions on international climate policy, global migration and border enforcement, and tech regulation that sets digital standards worldwide. Ultimately, shifts in US political priorities resonate globally, affecting everything from international security calculations to economic engagement and environmental policy.⁶

Although midterm elections rarely attract the same global attention that presidential elections, they dictate a president's ability to govern, pass legislation, and maintain a predictable foreign policy. Congress holds substantial power over national security and diplomacy: it manages federal spending, oversees military aid and sanctions, and provides executive oversight. Consequently, a shift in congressional control can directly alter American backing for international partners, military alliances, and responses to global crises.⁷

Thus, foreign governments monitor these elections closely because control of Congress is also a primary way to influence executive foreign policy.⁸ Although the president possesses primary constitutional authority over diplomacy and military operations, Congress maintains budgetary control.⁹ Consequently, divided or uncertain congressional control would increase unpredictability regarding the stability and duration of US security commitments.

1.2. European Defence Autonomy and Defence Spending Expansion

To mitigate risks associated with US politics, international allies are prioritising domestic defence self-reliance and regional security autonomy.¹⁰ Across Europe, governments are accelerating multi-year defence spending initiatives aimed at sustaining military readiness independent of the US. As such, by increasing baseline defence budgets and strengthening intra-European procurement frameworks, European countries aim to ensure that regional deterrence remains robust,¹¹ even if future Congressional majorities reduce foreign military financing.

In response to concerns over future US foreign assistance and military financing authorisations, European states are significantly raising baseline military expenditures. Aggregate European defence spending has risen, with core military expenditures among NATO's European allies increasing by over 11% year-over-year.¹² Beyond

spending increases, the EU is redesigning its defence industrial frameworks to decrease reliance on foreign suppliers and US export regimes.¹³

1.3. Cross-Regional Coalitions and Strategic Insurance Beyond the US

Beyond European defence integration, middle powers in Asia, the Middle East, and the Americas are forging independent, minilateral security arrangements. These pacts, such as localised defence coalitions and cross-regional security dialogues, allow states to pool defensive resources without relying solely on bilateral US commitments. Rather than replacing traditional ties with Washington, these non-US frameworks serve as structural insurance policies, ensuring that regional security mechanisms endure regardless of legislative gridlock or shifting priorities in the United States Congress.¹⁴

Page | 5

In West Asia, Turkey, Pakistan, and Saudi Arabia signed the defensive Mecca pact to secure regional interests, while Qatar is actively pursuing greater defence self-sufficiency following strikes near its capital. India is focusing on safeguarding critical energy supply chains due to its heavy import dependency on the Gulf region. In East Asia, South Korea and Japan are re-evaluating their security frameworks and reopening debates over independent nuclear capabilities. Meanwhile, China is capitalising on these shifts by presenting itself as a stable, dependable global partner to advance a multipolar order. Meanwhile, across North America, Canada is diversifying its trade strategy by forging new global commercial ties and deepening its European partnerships.¹⁵

1.4. Hedging Against Trade Volatility: Bilateral Deals and Direct Resource Partnerships

Economic diversification is another way international allies protect themselves. US elections can lead to sudden changes in tariffs, subsidies, and investment rules. To avoid more risks, allied countries are expanding their trade networks by signing new bilateral deals and joining trade blocs across South America, Asia, and Europe. For example, the EU and the Mercosur bloc (Brazil, Argentina, Paraguay, Uruguay) formally signed and provisionally implemented their landmark free trade agreement to create a trading zone of 700 million people, specifically aimed at diversifying supply chains and countering global trade protectionism.¹⁶

In addition, to insulate their industrial sectors from volatile US legislative requirements, such as strict domestic-sourcing rules and shifting subsidy conditions, European and Asian capitals are actively securing direct, bilateral resource partnerships. Through strategic frameworks like the EU's ReSourceEU Action Plan, allied governments are establishing long-term supply of minerals and metals - essential for defence hardware, green energy, and high-tech manufacturing, while reducing strategic dependencies.¹⁷ Thus, by securing independent access to raw materials and high-tech manufacturing capacity, countries preserve industrial continuity even if future US trade legislation becomes increasingly restrictive or volatile.

Further, to protect their national interests from volatile shifts and unpredictable executive turnover, foreign capitals have already fundamentally redesigned their diplomatic approach in the US. Rather than focusing their diplomatic outreach exclusively on executive departments or White House leadership, international representatives are deepening direct relationships with state governors, municipal trade envoys, and individual lawmakers from both major political parties. For example, the UK signed direct Memoranda of Understanding (MOUs) on Trade and Economic Cooperation with key states, including Texas, California, Washington, Florida, and Utah. These non-binding bilateral frameworks unlock direct access to high-growth sectors (aerospace, clean energy, and life sciences) without requiring congressional approval.¹⁸

As November 3 approaches, the outcome of the midterm elections will offer a clear indicator of how US foreign policy will operate through the remainder of the presidential term. Regardless of which party secures control of the House and Senate, the proactive hedging measures undertaken by international allies demonstrate that foreign nations no longer treat American legislative continuity as a given. Instead, global capitals are building flexible diplomatic, military, and economic architectures designed to withstand political shifts.

NOTES

¹ Bruce Stokes, “More Turbulence Ahead”, GMF, accessed 28 September 2026, <https://www.gmfus.org/news/more-turbulence-ahead>.

² Michael Drummond, “Everything you need to know about the US midterm elections”, Sky News, accessed 28 September 2026, <https://news.sky.com/story/everything-you-need-to-know-about-the-us-midterm-elections-13591766>.

³ Ibid.

⁴ “Why U.S. Midterm Elections Matter to the World”, Foreign Press Correspondents US, accessed 28 September 2026, <https://foreignpress.org/journalism-resources/why-us-midterm-elections-matter-to-the-world>.

⁵ Bruce Stokes, “More Turbulence Ahead”, GMF.

⁶ “Why U.S. Midterm Elections Matter to the World”, Foreign Press Correspondents US.

⁷ Ibid.

⁸ “Congress's influence over foreign policy”, *The Economist*, accessed 28 September 2026, <https://www.economist.com/the-economist-explains/2015/04/21/congresss-influence-over-foreign-policy>.

⁹ Zachary Price, “Congress, not the president, decides on government spending – a constitutional law professor explains how the ‘power of the purse’ works”, *The Conversation*, accessed 28 September 2026, <https://theconversation.com/congress-not-the-president-decides-on-government-spending-a-constitutional-law-professor-explains-how-the-power-of-the-purse-works-248644>.

¹⁰ “Europe and the 2026 U.S. Defense Strategy”, Transatlantic Task Force, accessed 28 September 2026, <https://behorizon.org/europe-and-the-2026-u-s-defense-strategy/>.

¹¹ “Acting on defence to protect Europeans”, accessed 28 September 2026, https://commission.europa.eu/topics/defence/future-european-defence_en.

¹² “NATO says European core defense spending up 11 percent in 2026”, Arab News, accessed 28 September 2026, <https://www.arabnews.com/world/nato-says-european-core-defense-spending-up-11-percent-in-2026-2650003>.

¹³ Astrid Chevreuil and Federico Steinberg, “Strengthening European Defense in an Era of US Retrenchment: Insights from the Draghi Report”, accessed 28 September 2026, <https://gjia.georgetown.edu/conflict-security/strengthening-european-defense-in-an-era-of-us-retrenchment-insights-from-the-draghi-report/>.

¹⁴ “Trump’s Midterm Risk: Allies Hedge Against A More Uncertain US”, Islam Times, accessed 28 September 2026, <https://www.islamtimes.com/en/news/1307526/trump-s-midterm-risk-allies-hedge-against-a-more-uncertain-us>.

¹⁵ Ibid.

¹⁶ “The EU-Mercosur trade agreement”, European Commission, accessed 28 September 2026, https://commission.europa.eu/topics/trade/eu-mercosur-trade-agreement_en.

¹⁷ “RESourceEU Action Plan”, accessed 28 September 2026, <https://www.iea.org/policies/29510-resourceeu-action-plan>.

¹⁸ “UK MOUs with US states on economic cooperation and trade relations”, Department for Business and Trade, accessed 28 September 2026, <https://www.gov.uk/government/collections/uk-mous-with-us-states-on-economic-cooperation-and-trade-relations>.