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Right-Wing Governments in Germany, France, and Italy

Despite the European Union's current challenges with slow economic growth and weak financial markets, the bloc remains an important investment region. It retains a large, extraordinarily productive industrial sector. It is home to big, profitable financial and service firms. It has powerful scientific and creative organizations. We therefore think it's important for investors to understand the EU's major political trends and how they might affect the value of EU assets.

In this report, we focus on the way that nationalist, populist, ultra-conservative political parties are gaining ever more support among European voters. In Italy, Prime Minister Giorgia Meloni's far-right Brothers of Italy party has already been in power for years. In France, recent opinion polls suggest the National Rally (RN) is well placed to take power in next year's presidential election. And in Germany, the Alternative for Germany (AfD) has won a series of state elections that will leave it positioned to take power nationally in the coming years.

We discuss how the actual policy agendas differ among these far-right parties and how their goals may change once they control the government. As always, we also lay out the investment implications of our analysis.

Foreign Policy

When it comes to their preferred foreign policies, the AfD, the RN, and the Brothers of Italy embrace several positions common to conservative parties around the globe. That's especially the case regarding the economic threat from China's unfairly subsidized exports. There is a somewhat broader range of views regarding support for the North Atlantic Treaty Organization. The parties hold quite different views on the proper approach to Russia and, by extension, to Ukraine.

China Relations. Germany's AfD, France's RN, and the Brothers of Italy all support protecting their national industrial firms from unfair Chinese competition, but the specific trade defenses they espouse are different or ambiguous. While they all embrace national industrial policies, the AfD focuses on reduced EU rules and mandates so that Germany can flexibly pursue the policies it deems necessary to protect and cultivate its own companies. In contrast, as the party already in power, the Brothers of Italy generally supports the EU's tariffs and other trade defenses against China while also relying on EU diplomats to negotiate with China for a better trade relationship.

Russia Relations. The AfD, the RN, and the Brothers of Italy disagree much more strongly on the proper approach to Russia and Ukraine. Importantly, factions of the AfD favor closer relations with Russia and renewed reliance on its cheap natural gas to bring down consumer energy costs and revive German industry. The RN historically favored closer ties with Russia; however, it

now strongly condemns Russian aggression even as it resists sanctions on Russia and extensive aid to Ukraine. Meloni's Brothers of Italy government has remained firmly aligned with EU and NATO policies in opposing Russia and supporting Ukraine ever since it came to power.

NATO & Defense. In contrast to its strong anti-EU stance (see below), the AfD is generally supportive of Germany's membership and role in NATO as a means of national defense. It is skeptical of any EU-run defense programs outside of NATO. The RN supports French membership in NATO, but it wants to eventually remove France from the alliance's unified command structure, essentially making the country more independent in military matters. The Brothers of Italy strongly embraces NATO and its plans to hike defense spending.

European Union Policy

The section above showed that the AfD, RN, and Brothers of Italy share similar, relatively traditional views on key issues in foreign relations and defense, although the AfD currently is more noticeably pro-Russia than the other two right-wing parties. When it comes to their countries' relations with EU leadership and bureaucracy in Brussels, they also share similar, antagonistic views, driven largely by concerns over national sovereignty.

General EU Relations. The AfD is strongly Euroskeptic. Beyond calling for power to be returned from Brussels back to the national governments, it has also openly discussed scenarios under which Germany might exit the EU. In France, the RN is similarly Euroskeptic, though perhaps modestly more amenable to major EU reforms rather than an exit from the bloc, particularly now that national elections are looming in 2027. In contrast, the Brothers of Italy government in Rome continues to work cooperatively with the EU even as it pushes for reforms in bloc governance and asserts its right to defend national sovereignty.

The Euro. Many German politicians have become uncomfortable with the euro, given the contradictions inherent in pairing a unified currency and monetary policy with its lack of control over national fiscal policies. The AfD, in particular, has been quite critical of the single currency and monetary integration. In France, the RN used to advocate for leaving the eurozone, but it now officially supports keeping the currency while seeking greater national policy flexibility. The Brothers of Italy, in contrast, has been highly supportive of the euro system.

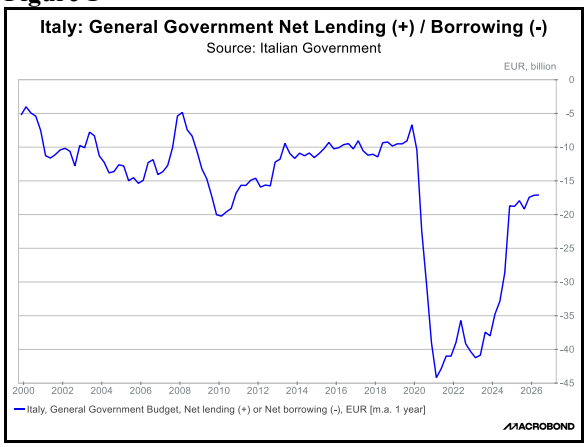
National Sovereignty. As suggested above, the AfD and the RN have been especially focused on protecting national sovereignty and taking back powers previously delegated to Brussels. But even the Brothers of Italy has chafed at the rules and edicts coming out of the EU bureaucracy. Indeed, one of the defining elements of European nationalist populism has been the sense that power and decisionmaking authority have been transferred too far away from everyday citizens, whether they be in Munich, Lyon, or Florence.

Domestic Policies

Since the main right-wing, populist parties in Europe all share a desire to take back power from Brussels and reclaim authority over domestic matters, it follows that many of their hot-button issues revolve around gaining the freedom to make decisions at odds with the EU bureaucracy. These issues include economic policy, climate and energy policy, immigration and asylum, law and order, and family and social policy.

Economic Policy. The AfD's economic agenda is decidedly conservative, despite its focus on making life better for Germany's working class. It calls for tax cuts, reduced regulation of businesses, and stricter limits on welfare benefits, along with policies to support key industries. The RN's economic agenda is traditionally French, with a greater emphasis on tax relief for households and a strong effort to protect and empower the country's strategic sectors and national-champion companies. However, leader Marine Le Pen has said that if she is elected president, she will slash public spending and cap borrowing to allay any concerns about the RN's populist fiscal policies blowing out the budget deficit. Meanwhile, during its time in power, the Brothers of Italy has pragmatically focused on tax cuts and deregulation, along with active support for key sectors and employment incentives. It has also presided over a narrowing of the Italian budget deficit from its nadir in the coronavirus pandemic (see Figure 1).

Figure 1



Climate & Energy Policy. Consistent with its conservative credentials, the AfD is opposed to climate-stabilization policies, including decarbonization measures and mandates for green energy usage. The RN is similarly skeptical of costly climate mandates but focuses more on preserving energy affordability and ensuring an ample supply of energy to support national competitiveness. It is also an advocate of France's large nuclear energy industry. In contrast, the Brothers of Italy accepts the EU's climate action goals, but it wants to slow the transition to green energies and ease other green mandates to preserve economic competitiveness and energy security.

Immigration & Asylum. Immigration and asylum are perhaps the main hot-button issues for Europe's far-right, populist parties. The AfD, RN, and Brothers of Italy all argue for more restrictive immigration rules and much tighter requirements for asylum. They also call for tighter border controls and increased deportation. In one especially concrete action, Italian Prime Minister Meloni in mid-2025 urged voters to boycott a referendum on easing Italy's citizenship rules, helping ensure that turnout was too low for the proposal to pass.

Law & Order. Importantly, Europe's far-right, populist parties seem to see excessive levels of immigration and asylum as part of a broader breakdown of law and order. All three groups support tougher policing, stronger sentencing, and other anti-crime measures.

Family & Social Policy. Finally, like other conservative parties in Europe, it should be no surprise that the AfD, RN, and Brothers of Italy promote traditional family values and structures. This includes not just embracing pro-family policies but also calling for reducing or reversing progressive social policies such as legal protections for gay or transgender people.

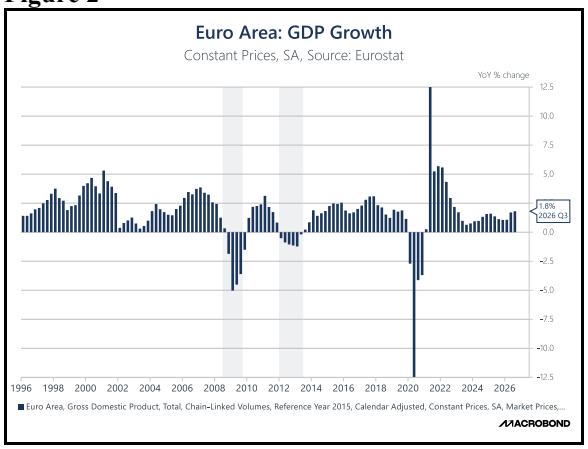
Investment Implications

As indicated in the analysis above, Europe's main far-right, populist, nationalist political parties share similarly conservative views on

a wide range of public policies, from foreign to domestic family policies. However, the closer a party is to taking control of a government (e.g., the RN in France's 2027 presidential election and the Brothers of Italy, which already controls the government in Rome), the more pragmatic and centrist the party's position becomes. ***This suggests that Europe's far-right parties will probably adopt more moderate, traditionalist policy programs as they gain popular support and see a real chance of winning elections***. As seen in Italy, today's far-right parties in Europe, if elected, may lead to less radical change than investors currently expect.

To be sure, the EU — and the eurozone, in particular — continues to struggle with weak economic growth and tepid stock returns. As shown in Figure 2, the eurozone's recent annual economic growth has rarely matched the US's 20-year average of about 2.0%. Those problems stem from longstanding issues such as heavy regulation, high taxation, poor demographics, economic distortions arising from the structure of the EU, and a dearth of domestic energy supplies. These challenges will probably persist regardless of who governs and are likely to continue to weigh on EU stock returns.

Figure 2



To the extent that those problems foster greater price inflation, higher interest rates, and weaker capital investment, they will probably also put downward pressure on EU government bond values (i.e., pushing up yields). European stock and bond values will also come under pressure if the dollar continues to appreciate due to the conflict in Iran and the frenzy to invest in US artificial intelligence assets. Nevertheless, the further rise of right-wing parties in Europe and the likelihood that more will take over national governments may not be as much of a concern as some investors fear. The relatively healthy fiscal policy in Italy may be especially encouraging for investors. We have included a helpful table that compares these three governments on the next page.

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Differences in Europe's Far-Right Parties

Policy Area	AfD (Germany)	National Rally (France)	Brothers of Italy / Meloni (Italy)
China Relations	Generally favors protecting German industry from unfair Chinese competition through sovereignty, reduced EU bureaucracy, and national industrial policy.	Generally supports protecting French industry from unfair Chinese competition and strategic dependence through economic sovereignty measures.	Generally supports EU trade-defense measures, including tariffs on subsidized Chinese imports, while also pursuing selective economic engagement.
Russia Relations	Contains factions favoring closer relations with Russia and more independent foreign policy.	Historically favored warmer relations with Russia; now condemns Russian aggression but remains skeptical of sanctions and extensive aid to Ukraine.	Firmly pro-Ukraine and aligned with EU/NATO foreign policy since taking office.
NATO & Defense	Supports NATO as defensive alliance; skeptical of deeper EU military integration.	Supports NATO cooperation but favors greater national independence and opposes deeper supranational defense integration.	Strongly pro-NATO and supportive of increased defense commitments.
European Union	Strongly Euroskeptic; favors returning powers to national governments and has discussed EU exit scenarios.	Euroskeptic; seeks major EU reform, stronger national sovereignty, and less power for Brussels rather than EU exit.	Generally remains within EU framework; seeks reform from inside and defends national sovereignty.
Euro Currency	Historically critical of euro and EU monetary integration.	Previously advocated leaving the euro; now supports remaining in the euro while seeking greater national policy flexibility.	Supports continued use of euro.
National Sovereignty	Strong emphasis on national sovereignty and limiting supranational authority.	Central emphasis on French national sovereignty and restoring powers to the nation-state.	Strong emphasis on national sovereignty while cooperating within EU institutions.
Economic Policy	Mix of tax reduction, deregulation, and welfare limitations; nationalist economic elements.	Economic nationalism, protection of French industry, tax relief for households, and support for strategic sectors.	Tax cuts, business support, employment incentives, and pragmatic conservatism.
Climate & Energy	Skeptical of climate policies; opposes aggressive decarbonization measures and energy transition mandates.	Skeptical of costly climate mandates; prioritizes energy affordability, nuclear power, and economic competitiveness.	Accepts climate action goals but emphasizes economic competitiveness, energy security, and slower transition pace.
Immigration & Asylum	Very restrictive immigration; tighter asylum rules; stronger border controls; increased deportations/remigration proposals.	Very restrictive immigration; tighter border controls, reduced legal immigration, stricter asylum rules, and increased deportations.	Restrictive immigration policy; stronger border controls; offshore/asylum processing initiatives and increased repatriations.
Law & Order	Tougher policing, border security, and criminal justice measures.	Strong law-and-order agenda; tougher sentencing, policing, and anti-crime measures.	Tougher policing, anti-crime measures, and border enforcement.
Family & Social Policy	Traditional family values; opposition to progressive social policies.	Traditional family values combined with a more moderated social agenda than in earlier party eras.	Traditional family policies; pro-family incentives and conservative social positions.