November 2026 – Issue 8

Policy Forum

What are the opportunities and challenges that Canada now faces as the United States enter into a new period of divided government?

Policy Forum Politique is a publication format that aims to stimulate debate by presenting a wide range of expert opinion on a topic of national security significance to Canada. For this eighth edition, we ask three experts for their perspectives on the following question: *The Democratic Party took control of both the House of Representatives and the Senate in the 2026 midterm elections. In your view, what are the opportunities and challenges that Canada now faces as the United States enter a new period of divided government?*



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While the incumbent party is predicted to lose legislative seats during midterm elections, the 2026 midterms produced a strong Democratic wave driven by higher turnout among younger voters. From January, a 'lame duck' President Trump faces opposition control of both chambers, a challenge confronted by a handful of recent presidents. Although divided government encourages policy moderation, Trump's demonstrated difficulty learning from failures suggests legislative attempts to exert constraints/checks may result in greater reliance on executive powers and the use of the military. The broad delegation of foreign affairs authority to Presidents could induce riskier behaviour, e.g., diversionary crises, "gambling for resurrection" strategies, relying upon Executive Orders for agenda-setting and policy making bypassing Congress.

For Canada, a Democratic surge presents opportunities from the redistribution of political access. Liberal gains in border states, such as Maine, Michigan and Minnesota, create new constituencies depending on cross-border trade, integrated supply chains, critical minerals and energy interdependence. Wins in AI and defence-manufacturing hub Texas as well as New Mexico alongside a re-elected Arizona governor offer opportunities with southern border states to develop markets alongside understandings on alongside Mexico. Congressional and gubernatorial flips in agricultural and manufacturing states, e.g., Ohio, Iowa, Kansas, Texas, Georgia and the Carolinas, create opportunities on issues from agriculture and food security to industrial policy and energy transition.

The significance of these developments is magnified in that it has been sixteen years since a majority of governors were liberal and that Democrats achieved five state-governance trifectas, in border states Michigan, Minnesota, Wisconsin (and lithium-rich Nevada, rustbelt Pennsylvania), offering opportunities for engagement on climate policy, regulatory coordination and infrastructure. Despite facing a threatening populist leader, Canada should continue its multi-level diplomatic strategy that leverages governors, state legislatures, mayors and Congresspersons to mitigate federal uncertainty and preserve continental integration vital to its security interests.



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With the 120th United States Congress taking office on January 3, Canada will benefit from a political environment less hostile to its interests. Its embassy in Washington will be able to step up its efforts to influence lawmakers, knowing that the congressional majority will no longer be under the sway of an authoritarian and vindictive president. That alone is significant.

But caution is needed: although President Donald Trump emerges from this election weakened domestically, he will retain considerable room to manoeuvre in foreign and trade policy. He will keep significant executive powers, including executive orders, his role as commander-in-chief of the armed forces, and his veto power. Above all, the powers that Congress has gradually delegated to the presidency over recent decades, particularly in the name of national security, will allow him to continue the trade conflict with Canada without seeking approval from the new Congress.

This is particularly true of Section 338 of the *Tariff Act of 1930*, a provision that will allow him to continue imposing tariffs of up to 50% on Canada without prior congressional approval. The same applies to Section 232 of the *Trade Expansion Act of 1962*, which authorizes the president to impose tariffs when he determines that certain imports threaten U.S. national security. Trump invokes this very provision to justify tariffs on Canadian steel and aluminum. Moreover, even if the 120th Congress adopted measures to limit these presidential powers, President Trump could still use his veto to block the Democratic Congress's plans. Overriding that veto would require a two-thirds majority in both the House of Representatives and the Senate—an unlikely scenario.

Finally, we should not lose sight of the fact that Democrats, despite opposing President Trump's policies, have historically been more protectionist than Republicans on several economic issues. In other words, protectionism extends beyond the MAGA base and President Trump. Thus, although Canada will face a less hostile political environment with the arrival of the new Democratic Congress, it will still have to contend with a protectionist current deeply rooted in American politics that cuts across party lines.



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A second-term president's party almost always losses seats during its midterm elections. However, the scale of the shift will adjust its effects. With the Democrats succeeding in flipping control of both houses and the committees, there will thus be a dramatic impact on Congress and its relationship with the executive branch. Various new investigations into the president and his entourage that will undermine their focus on policy. Key appointees will almost certainly resign. The senate flip will affect the confirmation process, severely restricting the wherewithal of the president to replace current and future vacancies. Its aptitude for policy execution will weaken further, which was never strong even with a friendly, Republican-dominated Congress. Wildly different budgetary priorities between Congress and the president will erode the latter's range of action.

Presidential power will be also curtailed by the sheer scale of the Republicans' electoral losses, as lawmakers may see the president as a hindrance to their personal electability in 2028. It is unlikely that veto-proof majorities in the senate can be fashioned to rebuke many of the president's policies directly. Nevertheless, it is more likely that a large enough bipartisan majority can be constructed to limit his hand in specific areas. Tariffs are one such policy domain given their widespread unpopularity among much of U.S. society.

For Canada, it may continue to face a hostility from the White House, but the ability of U.S. federal government to put weight behind any policy will be deeply compromised. The situation will open more avenues for Ottawa to try to manage the administration's policies. Ironically, collaborative outreaches made to the president could become more effective, since he will grow more and more isolated and may seek policy wins in order to salvage his presidency.