United States: Impact of the US midterm elections on foreign and trade policies | Credendo

Event

As of January 2027, the Democrats will control both chambers of the US Congress: the House of Representatives and the Senate. The outcome of the US midterm elections will probably influence US trade and foreign policies to a certain extent. Indeed, it could complicate the Trump administration's domestic agenda by making it harder to secure appointments and pass Republican legislation, while increasing congressional oversight and even the prospect of impeachment proceedings against members of the current administration. Such a scenario would increase confrontation between Congress and President Trump.

In foreign policy, however, Congress's ability to play a decisive role would be more limited due to the president's veto power and role as commander-in-chief of the US armed forces. Trump could continue to use executive orders to conduct foreign and trade policy, as he has done during the past two years in office despite the Republican majority in Congress. Nevertheless, a Democratic-led Congress would have some tools to constrain the president, for instance through funding appropriations, including defence spending.

Impact

Following the US midterm elections, several areas will warrant particular attention.

- **Conflict in the Middle East**

The US midterm elections could have a significant impact on the Middle East conflict, potentially increasing the risk of escalation. Indeed, President Trump might be more inclined to launch an attack, as the absence of a near-term electoral constraint could reduce the immediate domestic political cost of military action. Following Israel's parliamentary elections in October, and with the new US Congress not taking office until January, Trump might view the two-month post-election period as a more favourable window for escalation. Benjamin Netanyahu, a key Trump ally and supporter of further military action against Iran, is very likely to remain Israel's (caretaker) prime minister.

Meanwhile, the outgoing Republican-led Congress may be less likely than the new Congress to constrain additional defence funding. Renewed escalation could therefore occur in the very near term, sustaining high levels of instability and insecurity in the Gulf. This includes retaliatory strikes by Iran, which could have further repercussions for the region's economies. Escalation could also prolong disruptions in the Strait of Hormuz and Bab-el-Mandeb Strait and keep global fuel prices high.

- **Conflict in Ukraine**

The war in Ukraine remains entrenched, with limited prospects for substantive peace negotiations. Ukraine continues to depend heavily on US military and intelligence support, including the Starlink system. However, competing military requirements in the Middle East have increased pressure on supplies of critical air-defence interceptors. Ukraine has considerably expanded its long-range drone capabilities, enabling repeated strikes against Russian energy, port and military

infrastructure, but Russia retains a significant advantage in missile capabilities. Continued attacks on Black Sea ports and commercial shipping also threaten grain exports, with potentially adverse implications for global food prices. More broadly, Moscow continues to frame the war as part of its efforts to reshape the European security order. This suggests that Russian hybrid pressure on the EU is likely to persist irrespective of developments on the battlefield.

Ahead of the US midterm elections, relations between Kyiv and the Trump administration deteriorated markedly amid disagreements over Ukrainian strikes on Russian energy infrastructure and the US administration's softer approach to sanctions. Looking ahead, Trump is likely to intensify pressure for a negotiated end to the conflict. However, a US-led settlement could come at the expense of Ukrainian territorial or security objectives and could conflict with European security priorities. Trump's preference for restoring stronger economic ties with Russia could further widen the transatlantic divide over the terms of a settlement and the longer-term approach to Moscow.

- **US-China relations and Taiwan**

On US-China relations, bipartisan support for a restrictive approach, including export controls on advanced technology and restrictions on Chinese investments while avoiding an escalation in trade tensions with China should translate into policy continuity. Meanwhile, Congress could try to improve relations with traditional US allies. The détente in the US-China trade relation is likely to continue, although AI development could become a major point of contention between the two superpowers.
US support for Taiwan under Trump has become more uncertain, particularly compared to Biden's clearly supportive stance. However, a strong bipartisan majority remains in favour of US defence assistance to Taiwan. Congress can therefore be expected to push for the delivery of major arms sales that have stalled and to press the president not to use Taiwan as a bargaining chip in bilateral negotiations with Beijing. All in all, US policy vis-à-vis China and Taiwan is likely to change little after the midterm elections.

- **US policy in Latin America**

Latin America is likely to remain a major foreign policy priority for the Trump administration, reflecting his view that the region falls within the US sphere of influence. This approach implies a more assertive US policy towards Latin America, driven by security, migration and economic objectives, as well as a desire to limit the strategic presence of rival powers, particularly China, in the Western hemisphere.

Venezuela and Cuba are likely to remain at the centre of this policy. In Venezuela, the removal of President Maduro has opened a new political phase while the development of the country's large oil sector will be an important consideration for the Trump administration. In Cuba, severe constraints on oil supplies are exacerbating an already deep economic crisis. A change of government in Havana would represent a major political and geopolitical success for President Trump and Marco Rubio, suggesting that US pressure is likely to remain intense.

- **Trade policy**

During his second term, Trump has significantly increased US tariffs, reinforcing the protectionist shift in trade policy. At the same time, legal challenges have constrained some of the administration's preferred trade policy instruments. Looking ahead, Trump is expected to maintain a restrictive trade stance, including by seeking alternative mechanisms to introduce or preserve tariffs as temporary measures expire or existing measures encounter legal setbacks.

Democratic gains in the midterm elections could constrain parts of Trump's trade agenda, but a substantial reversal of US trade policy appears unlikely. The tougher US approach to trade,

particularly towards China and in strategically important sectors, has become increasingly bipartisan. The Biden administration retained most of the tariffs on Chinese imports inherited from the first Trump administration. Consequently, the US midterm elections are likely to influence the degree, instruments and pace of US protectionism rather than its overall direction. Trade uncertainty is therefore likely to remain elevated for US trading partners.

Does this mean that the midterm elections are largely irrelevant? No.

The main impact of the midterm elections would be to alter the domestic institutional constraints on the Trump administration. A less supportive Congress would increase scrutiny of the US administration and could make it more difficult to advance its legislative agenda. Congress will also play an important role in debates, notably on fiscal dynamics in a context of record-high peacetime government debt and rising US Treasury yields.

More fundamentally, the election result could strengthen congressional checks and balances on executive power. Nevertheless, the president would retain considerable room for manoeuvre through his veto power and extensive use of executive action. This could produce an increasingly confrontational relationship between Congress and the White House, while shifting some political disputes to the courts. At the same time, policies implemented primarily through executive action would generally be less durable, as they are more vulnerable to judicial challenges and easier for a subsequent administration to reverse.

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