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Canada's New Chapter: Election Aftermath, Domestic Impact, and International Repercussions

Unpacking the Country's Next Steps

After the Trudeau Era

By

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21 May 2025

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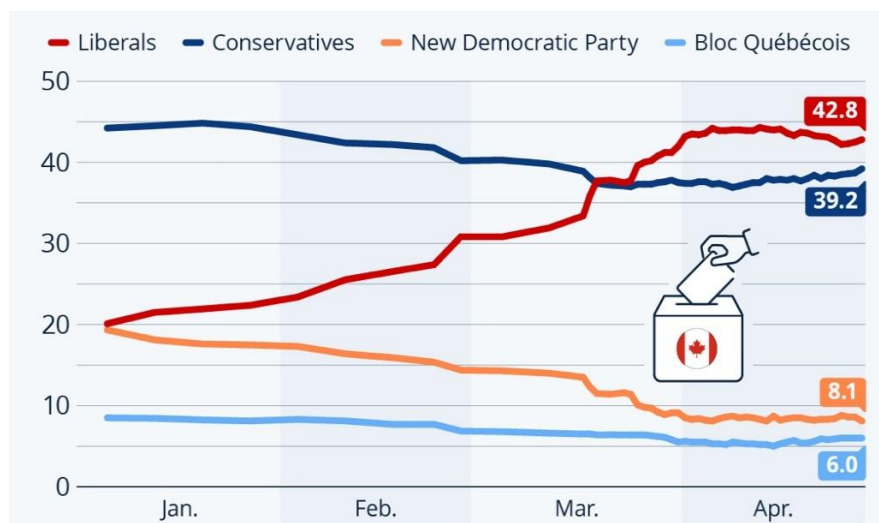
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Executive Summary

- ✦ April 2025 elections concluded with a partial victory for the incumbent Liberal Party: they secured enough votes to continue ruling the country but fell three seats short of a majority. In the meantime, the Conservative Party won 144 seats. The latest election marked the end of a two-year period of weak polling numbers for the Liberals.
- ✦ Strengthened support for the Liberals finds its roots in two major changes in Canada's landscape. The first factor concerns former PM Justin Trudeau's resignation in January 2025, amid significant unpopularity rates and pressure from the Liberal Party for him to step down. Secondly, the inauguration of the second Trump administration and the current president's declarations about Canada boosted the votes for the Liberals, catalysing the Canadian people's rejection of Trump's measures and sayings regarding their nation.
- ✦ Current PM Mark Carney's experience leading two G7 banks positioned him as a suitable candidate to fight against Trump tariffs and concentrated the anti-conservative votes. Disappointed by Justin Trudeau's mandate, Carney's non-political background is likely to have influenced the voters in the latest polls.
- ✦ In light of Canada's housing crisis, Carney has proposed doubling home-building rates, apart from a package of measures to ease the cost of living for lower-income Canadians. Concerning the United States, the PM has vowed to create a national electricity grid to reduce dependence on Washington, while also boosting domestic trade and car-making to counteract the impact of the new tariffs imposed by the White House. Aligned with the target for all NATO's member states, Carney also pledged to increase defence spending, reaching 2% of Canada's GDP.
- ✦ Once close allies, the relationship between Canada and the United States is in its worst moment. While the United States-Mexico-Canada Agreement (USMCA)'s first joint review is scheduled for 2026, new US tariffs against Canada have not only strained the trade flow but also heightened tensions between the two governments. Additionally, the "51st state" matter, Donald Trump's threat to annexe Canada, has shocked Canadians and fuelled diplomatic tensions.

Key Picture: Polls Average for 2025 Canadian Election (in percent)



Source: [Statista](#). Does not include smaller parties (Greens, People's Party, others).

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Section 1

The End of an Era: The Rise and Fall of Justin Trudeau

1.1 Justin Trudeau Steps Down After Almost 10 Years in Office

Trudeau took office as Prime Minister of Canada in 2015, bringing the Liberals to power after the mandate of Conservative Stephen Harper. From the moment he began his administration, he reached a peak of popularity in September 2016, when he enjoyed approval ratings of up to 65%¹. Surprisingly, his disapproval rate reached 74% in December 2024. At this point, it is worth asking what provoked this decline of Trudeau's public image.

In his early years as PM, Trudeau enjoyed particularly good approval ratings among Canadian youngsters. He implemented a gender-balanced cabinet and pledged to enforce measures such as tackling climate change, bolstering social programmes and supporting Canada's middle class. During his tenure, Trudeau not only prevented NAFTA from disappearing by establishing successful negotiations with Canada's neighbours but also achieved the continuity of North America's commercial alliance when USMCA was signed.

With time, unfulfilled promises, personal issues, and the arrival of Donald Trump to the White House for a second mandate became the beginning of the end for the former PM. The new climate policy has had side effects for Canadians, such as a rising carbon price, stricter pollution limits for fossil fuel producers, and growing asymmetries with the US². Washington's tightening of immigration measures resulted in a surge of illegal migration into Canada while soaring housing and grocery costs worsened the overall situation.

Along the same line, the dissemination of blackface images from Trudeau's early days as a teacher, and the use of emergency powers to suppress truckers' protests in 2022 distanced the politician from his fresh, progressive stance that helped him win the 2015 elections.

Trump's second mandate could be considered as the final blow to Justin Trudeau's tenure. For an already debilitated political figure, being catalogued as the "governor"³ of the "Great State of Canada", and suggesting that fresh tariffs were planned for Canada, undermined Trudeau's stance as a leader and damaged irremediably his room for negotiation. Finally, declining public support, opposition pressure, and calls from within the Liberal Party to step down concluded in Trudeau's resignation in early 2025.

Section 2

Canada 2025 Election: The Liberals Prevails Over the Conservatives

2.1 Mark Carney Emerges as Canadians' New Favourite

After Trudeau's resignation, former central banker Mark Carney was chosen to succeed the politician as leader of the Liberal Party and Canada's PM in March 2025. Carney's professional background as former governor of the Bank of Canada and the Bank of England was a distinctive element in rebuilding the Canadians' trust in the Liberal Party. While Trump's trade war and its impact on Ottawa's economy were a main concern for the population, the new PM's capabilities for dealing with complex economic scenarios were a welcome sight. In addition, the fact that it was Carney's first time holding public office in Canada was seen as an encouraging characteristic regarding the former banker's potential behaviour while during exercising functions in the Canadian government.

Once appointed Prime Minister, Carney called for a snap election, scheduled for April 28. In the meantime, Carney made public harsh statements concerning Donald Trump's stance on Canada. Arguing about the reasons for April's election, Carney affirmed that Washington's government was trying to break Canada, with the ultimate goal of owning it⁴. In the same vein, the newly-appointed PM labelled Trump's tariffs as "unjustified trade actions" and added that the US president was threatening Canada's sovereignty.

Earlier, in February 2025, Trump had announced the imposition of 25% tariffs on imports from Canada and Mexico, justifying this decision by accusing these countries, along with China, of facilitating the incursion of illegal aliens and drugs into American territory⁵.

When the election date came, the results were conclusive: the Liberals had secured a fourth consecutive term, and Carney's strategy to build confidence and reassurance among the Canadian voters had paid off. The Liberals won 169 seats, and secured enough votes to continue ruling the country but fell three seats short of a majority. For its part, the Conservative Party won 144 seats. After Carney's victory, several international leaders sent their congratulations, including President Trump. The opposition leader, Pierre Poilievre, conceded defeat the day after the election, legitimising the results. When analysing the voter's behaviour in the April 2025 elections, the "anybody-but-Conservative" factor cannot be overlooked. Trump's attacks against Canadian Liberals, especially Justin Trudeau, were capitalised on by Carney's party, indirectly impacting negatively the Conservatives' performance in the election.

2.2 What to Expect from Carney's Domestic Agenda?

Concerning Carney's approach to internal policy, the PM will focus on housing, living expenses and domestic trade. The housing crisis, mainly fuelled by the dramatic increase in median house prices and a sharp rise in household debt, would be tackled by creating a standalone federal entity in charge of developing affordable housing⁶. This would also boost the creation of Canadian jobs and impulse the construction industry. Regarding living expenses, Carney's proposal will entail a tax cut for low-income households (from 15% to 14%), reduce sales taxes on homes under C\$1m (\$720,000; £540,000) for first-time buyers, and trim the of temporary workers and international students allowed in Canada to less than 5% of the population to mitigate the government's pressure on housing and public services.⁷ The plans for domestic trade aim to develop new trade and energy corridors⁸, working side by side with the provinces, territories and Indigenous peoples. Carney's vision involves turning Canada into a clean and conventional energy superpower. As an active NATO member, Carney also proposed increasing Canada's defence spending to 2% of the GDP.

Section 3

US-Canada Relations, a Lost Opportunity?

3.1 Current State of Affairs of the Washington-Ottawa Bilateral Ties

The old US-Canada relationship is "over", declared Mark Carney emphatically ahead of the 2025 elections⁹. At the time, the PM was referring to the historical ties that bound the two countries through economic integration and cooperation on security and military matters. Additionally, Carney put at stake the US reliability as a partner and pointed out European countries as better options for Canada, such as France and the UK.

Carney and Trump met in Washington on May 6, in a long-awaited encounter closely followed by international media, given the tense exchanges between the two leaders since the Canadian PM took office. While Trump insisted on Canada becoming part of the US, Carney stood firm on defending his country's sovereignty and said Canada is not for sale¹⁰. The meeting was highly representative in terms of diplomacy and the future of bilateral ties, an issue that most Canadians trust is in good hands managed by Carney. A 2025 poll¹¹ carried out before the election shows that 48% of Canadians believe that Carney was the most qualified candidate to obtain the best possible deal for Canada from President Trump, and 46% considered that the current PM had what it takes to unite Canadians on the changes required to make their country less dependent on the US.

In regard to tariffs, Trump showed a tough stance, emphasising that the US trade deficit with Canada was a "subsidy". On the other hand, Carney tried to highlight how cross-border trade strengthened both economies. The outcome of the meeting reflects the current scenario perfectly: despite Carney's limited negotiation room, there won't be any concessions to Trump's demands.

As US sanctions persist, Canadian sanctions are likely to remain in place as well, further straining the long-lasting trade relationship and potentially impacting the 2026 USMCA review. Fears of a massive labour market contraction in affected Canadian sectors, along with millions in losses, are already weighing on Canadians, a situation that is likely to become increasingly difficult for Carney as the true impact of the tariffs begins to unfold.

Section 4

Final Considerations

4.1 Economy, Political Pressure, and Public Expectations

Carney's tenure is off to a promising start. Nevertheless, the real question is whether he can seize momentum and apply key measures that will stabilize Canada's economy, or whether he risks repeating his predecessor's missteps. The current geopolitical landscape is highly volatile: unless countries affected by tariffs build a coalition that allows them to reduce dependence on the US, which is highly unlikely, the world presently remains vulnerable to Trump's foreign relations agenda. As a USMCA member, Canada has much to lose if the 2026 review is unsuccessful, meaning a heavy blow to the Canadian economy that could undermine Carney's administration. In this context, the current PM's ability to sort out economic challenges and deal with Conservatives' demands in the Parliament will be decisive for his government. Whether his legacy will be shaped by opportunity or crisis, now depends on his next steps.

NOTES

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