



# The Nordic Countries and U.S. Relations

## Political and Economic Overview

The five Nordic countries—Denmark, Finland, Iceland, Norway, and Sweden—share deep historical, linguistic, and cultural ties and many political and economic similarities. They are all stable democracies with parliamentary systems of government and prosperous market economies with relatively high standards of living. With a total population of over 27 million people (see **Figure 1**), the Nordic countries collectively form the world’s 11<sup>th</sup>-largest economy. They have extensive social welfare systems and relatively high tax rates but are considered to be innovative, business-friendly countries. The Nordics generally rank high on global competitiveness indexes. Foreign trade plays a key role in their economies. They also enjoy substantial natural resources. Norway in particular benefits from vast North Sea oil and natural gas deposits.

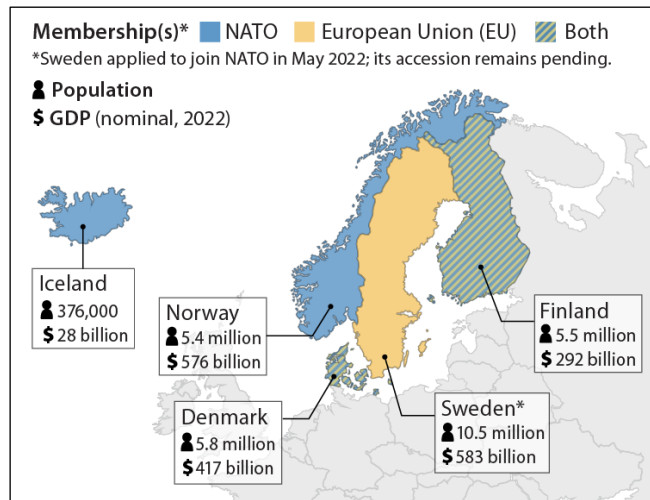
Like most other countries, the Coronavirus Disease 2019 (COVID-19) pandemic posed public health and economic challenges for Nordic governments. Gross domestic product (GDP) contracted in all five Nordic countries in 2020 due to the pandemic, but rebounded in 2021. Growth was lower than initially predicted in 2022, however, partly due to the economic impact of Russia’s war against Ukraine (launched in February 2022). Like other European countries, most Nordic governments are grappling with high energy prices and inflation (between 6% to 8%). Growth is expected to slow in all five Nordic countries in 2023 (to between 0% and 2%). Aging populations and fertility rates below replacement rates raise questions about the long-term sustainability of the Nordics’ social welfare systems.

In recent years, migration policy has become a key political issue in the Nordics. The 2015-2016 spike in refugees and migrants in Denmark, Finland, Norway, and Sweden—mostly from the Middle East, Afghanistan, and Africa—strained education, housing, and welfare systems. Most Nordic governments introduced tougher asylum policies and curtailed some welfare benefits. The refugee and migrant waves also stirred debates about identity, integration, and security (in relation to both terrorism and crime). Refugees from Ukraine, however, generally have been welcomed by Nordic governments and societies.

Over the past decade, economic and immigration concerns have generated voter distrust of established center-right and center-left political parties throughout the Nordics, fueling the rise of populist parties and upending some traditional political alliances. Most anti-establishment, populist parties in the Nordics are on the right or far right and hold nationalist and anti-immigrant views. In Sweden, a far-right party has provided parliamentary support for a center-right government since October 2022 (in exchange for tightening immigration, asylum, and criminal justice policies). Following Finland’s April 2023 election, a far-right party

with nationalist, anti-immigrant views may join a coalition government led by a center-right party.

**Figure 1. The Nordic Countries: Key Facts**



Source: Graphic by CRS, based on Economist Intelligence Unit data.

## Foreign and Security Policies

The Nordic countries generally share an international outlook that prioritizes cooperation, both among themselves and with the international community. The Nordics work together on regional issues in the interparliamentary Nordic Council and the intergovernmental Nordic Council of Ministers. They promote Nordic defense cooperation through NORDEF, a forum that brings Nordic military officials together. Since the 1950s, the Nordic Passport Convention has allowed Nordic citizens to travel freely and reside in any Nordic country. The Nordics also are strong proponents of the United Nations and multilateral solutions to global challenges. They are frequent contributors to international peacekeeping missions, major providers of development and humanitarian assistance, and supporters of U.N. efforts to address climate change.

As shown in **Figure 1**, the five Nordic countries are either NATO members or aspire to join NATO. Although traditionally militarily nonaligned, Finland and Sweden applied for NATO membership in May 2022 given growing security concerns about Russia. Finland joined NATO in April 2023, but Sweden’s accession has faced a delay (see below). Nordic membership in the European Union (EU) varies. Finland is the only Nordic country that uses the euro, the EU’s common currency. Although not in the EU, Iceland and Norway participate in the EU’s single market and Schengen area of free movement.

## Nordic Security, NATO, and Russia

Since 2014, Russia’s aggression in Ukraine and increased military activity near Nordic borders have alarmed Nordic officials. Nordic countries responded by enhancing defense

cooperation and working with NATO to strengthen deterrence. Since Russia's invasion of Ukraine in February 2022, all Nordic governments have provided military, financial, and/or humanitarian assistance to Ukraine and have backed increasingly punitive sanctions against Russia, including targeting Russia's energy sector.

Russia's war against Ukraine has upended decades of Finnish and Swedish security policy that sought to balance ties to the West and relations with Russia. Finland has long been particularly mindful of its 830-mile land border with Russia. At the same time, both Finland and Sweden have long maintained close partnerships with NATO; they have participated in many NATO operations and have advanced militaries that are interoperable with those of the alliance.

Nearly all allies, including the United States, assessed that Finnish and Swedish NATO accession would enhance allied capabilities and strengthen the alliance's defense posture in the Baltic Sea region. Finland and Sweden had intended to join NATO at the same time, but consensus is required to admit new members and Turkey (Türkiye) and Hungary have yet to give final agreement to Sweden's accession. Turkey remains concerned about what it views as Sweden's support for terrorist groups, especially those linked to the Kurdistan Workers' Party (or PKK). Hungary's delay in completing the approval process for Sweden's accession may be linked to EU and Swedish criticisms of the Hungarian government's respect for the rule of law. NATO leaders hope Sweden will join the alliance by NATO's July 2023 summit.

### The Arctic

The Arctic region (or High North) is a key focus of Nordic foreign policies. All of the Nordics are members of the eight-country Arctic Council (along with Russia, Canada, and the United States) and have long supported peaceful cooperation in the Arctic. Warming temperatures and melting ice are increasing access to Arctic sea routes and natural resources, with environmental and geostrategic implications. Like the United States, the Nordic countries are wary of enhanced Russian military and commercial activity in the Arctic, as well as of China's interest in the region, including with respect to Greenland (a largely self-governing part of the Kingdom of Denmark, with a population of around 56,000). Russia's war against Ukraine has affected the functioning of the Arctic Council. The Nordics, the United States, and Canada paused participation in the Council in March 2022; they resumed work on projects not involving Russia in June 2022. Norway is to assume the two-year rotating chair of the Arctic Council from Russia in May 2023, but questions remain about the Council's future due to Russia's aggression in Ukraine.

### Relations with the United States

The United States and the Nordic countries largely enjoy close relations. About 11 million Americans claim Nordic ancestry. The United States is known to appreciate Nordic cooperation on a wide range of global and regional issues. For example, Finland hosts a multinational center for combating hybrid threats in which the United States is a partner country. All five Nordic countries supported the U.S.-led coalition against the Islamic State terrorist group (ISIS/ISIL). The United States is an important non-

European trading partner for the Nordic countries. As seen in **Table 1**, U.S.-Nordic investment ties are extensive.

**Table 1. U.S.-Nordic Economic Relations**  
(direct investment [historical-cost basis] and employment)

Nordic Country	U.S. Direct Inv. in Nordics (2021)	Nordic Direct Inv. in U.S. (2021)	Workers Employed in U.S. by Nordic-owned Affiliates (2020)	Workers Employed in Nordics by U.S.-owned Affiliates (2020)
Denmark	\$16.4 bil	\$34.6 bil	46,000	37,100
Finland	\$6.5 bil	\$10.1 bil	35,600	21,200
Iceland	\$878 mil	N/A	400	1,700
Norway	\$30.6 bil	\$32.5 bil	7,700	37,500
Sweden	\$57.7 bil	\$71.5 bil	217,300	61,800

**Source:** U.S. Department of Commerce, Bureau of Economic Analysis, International Trade and Investment Country Facts.

U.S.-Nordic defense ties are strong. Since 1951, the United States has provided for Iceland's defense at the request of NATO. Thule Air Base in Greenland is the U.S. military's northernmost installation, providing missile warning and space surveillance. Norway stores pre-positioned U.S. military equipment and has hosted U.S. Marines for winter warfare training; a 2021 defense cooperation agreement seeks to facilitate further U.S. military training in Norway and permits U.S. infrastructure investment at certain Norwegian military facilities. In 2022, the United States and Denmark began negotiations that may provide for rotational deployments of U.S. troops and storage of U.S. military equipment in Denmark (a separate agreement covers the U.S. presence in Greenland). The United States also is negotiating new bilateral defense cooperation agreements with Finland and Sweden to deepen defense and security relations further. Norway, Denmark, and Finland are acquiring the U.S.-built F-35 Joint Strike Fighter.

U.S.-Nordic relations experienced some tensions during the Trump Administration. Many Nordic officials worried about the extent of President Trump's support for NATO, the EU, and the multilateral trading system. U.S.-Danish relations were strained in 2019 by President Trump's expressed interest in purchasing Greenland due to its strategic location and natural resources.

The Biden Administration has sought to renew and strengthen relations with the Nordic countries. The Administration and many Members of Congress support NATO enlargement to Finland and Sweden. The Senate and President Biden completed the steps necessary for U.S. ratification of Finnish and Swedish accession to NATO in August 2022. The Biden Administration continues to urge Turkey and Hungary to approve Sweden's accession. Also see CRS Insight IN11949, *NATO: Finland Joins as Sweden's Accession Faces Delay*.

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