

The Nordic Countries and U.S. Relations

Political and Economic Overview

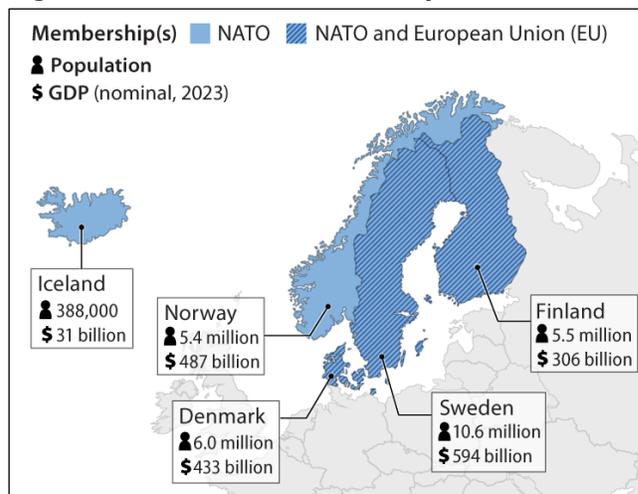
The five Nordic countries—Denmark, Finland, Iceland, Norway, and Sweden—share deep historical, linguistic, and cultural ties and many political and economic similarities. They are all stable democracies with parliamentary systems of government and prosperous market economies with relatively high standards of living. With a collective population of nearly 28 million people, the Nordic countries have a combined gross domestic product (GDP) of roughly \$1.9 trillion (see **Figure 1**). 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 and innovation 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.

The Nordic countries were affected economically by the COVID-19 pandemic and, since 2022, by Russia’s war against Ukraine. GDP contracted in all five Nordic countries in 2020 due to the pandemic, rebounded in 2021, but slowed in 2022 and 2023 amid the conflict in Ukraine, elevated energy prices, high inflation, and rising interest rates. GDP growth is expected to remain modest in all five Nordic countries in 2024 (between roughly 1% and 2%) as inflation eases and interest rates stabilize. Aging populations and other demographic and societal changes raise questions about the long-term sustainability of the Nordics’ social welfare systems.

Migration policy is 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, concerns related to migration, globalization, and other political and economic challenges have generated voter distrust of established center-right and center-left political parties throughout the Nordics and fueled the rise of populist parties. 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 joined a coalition government led by a center-right party.

Figure 1. The Nordic Countries: Key Facts



Source: Graphic by CRS, as of April 2024, 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 Control Agreement 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 seen in **Figure 1**, all five Nordic countries are NATO members. Finland and Sweden were militarily nonaligned for decades, but Russia’s war against Ukraine upended Finnish and Swedish security policies that had 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). Both Finland and Sweden applied to join NATO in May 2022. Finland acceded to NATO in April 2023 and Sweden acceded in March 2024 (see below). Finland, Sweden, and Denmark also belong to the European Union (EU). 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, Russia, and NATO

Relations between the Nordic countries and Russia have been strained for over a decade in light of Russia’s military

resurgence, increased Russian military activity near Nordic borders, and Russia's 2014 aggression in Ukraine. Since Russia's full-scale invasion of Ukraine in February 2022, Nordic governments have backed increasingly punitive sanctions against Russia, including targeting Russia's energy sector, and have provided military, financial, and/or humanitarian aid to Ukraine. Denmark, Finland, Norway, and Sweden also have been increasing defense spending amid heightened security concerns about Russia and to meet NATO defense spending and capability goals.

The Biden Administration and most allies assessed that Finnish and Swedish NATO accession would enhance alliance capabilities and strengthen NATO's defense posture, especially in the Baltic Sea region. All but two NATO allies completed national ratification procedures to allow Finland and Sweden to accede to NATO within months of their application in 2022, but consensus is required to admit new NATO members and Turkey (Türkiye) and Hungary raised concerns and delayed the accession process. Both Finland and Sweden worked to address Turkey's concerns about terrorism and other security issues. Hungary's concerns largely centered on grievances over past EU and Swedish criticisms of Hungarian government policies perceived as eroding the rule of law. Turkey and Hungary ultimately approved Finland's accession to NATO in 2023 and Sweden's in early 2024. (Also see CRS Insight IN11949, *NATO Enlargement to Sweden and Finland*.)

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 Arctic Council's functioning. The Nordics, the United States, and Canada paused participation in the council in March 2022 and announced they would resume work on projects not involving Russia in June 2022. Norway assumed the two-year rotating chair of the council from Russia in May 2023 and has sought to advance cooperation at the working level, but questions persist about the council's future.

Relations with the United States

The United States and the Nordic countries largely enjoy close relations. Almost 10 million Americans claim Nordic ancestry. The United States and the Nordics cooperate on many global and regional issues, including supporting Ukraine; combating hybrid threats; countering terrorism; addressing climate challenges; and promoting sustainable development, including in the Arctic. The United States also is an important trading partner for the Nordics, and investment ties are extensive (see **Table 1**).

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

Nordic Country	U.S. Direct Inv. in Nordics (2022)	Nordic Direct Inv. in U.S. (2022)	Workers Employed in U.S. by Nordic-Owned Affiliates (2021)	Workers Employed in Nordics by U.S.-Owned Affiliates (2021)
Denmark	\$14.0 bil	\$39.4 bil	48,300	38,200
Finland	\$4.4 bil	\$9.9 bil	34,200	21,800
Iceland	\$91 mil	N/A	400	1,800
Norway	\$13.5 bil	\$36.9 bil	7,200	37,400
Sweden	\$60.3 bil	\$94.1 bil	208,700	62,900

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. Pituffik (formerly Thule) Space 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 (DCA) seeks to facilitate further U.S. military training in Norway and permits U.S. infrastructure investment at certain Norwegian military facilities. In 2023, the United States concluded similar bilateral DCAs with Denmark, Finland, and Sweden that provide for rotational U.S. troop deployments and equipment storage on their respective territories (a separate agreement covers the U.S. presence in Greenland). Denmark, Norway, and Finland also are acquiring the U.S.-built F-35 fighter jet.

U.S.-Nordic relations experienced some tensions during the Trump Administration. Some Nordic officials expressed concern about President Trump's views on NATO, trade, Iran, climate change, and other issues. 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 bolster relations with the Nordic countries, especially in light of challenges posed by Russia in both Europe and the Arctic. The Biden Administration and majorities in the House and Senate supported 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. In July 2023, President Biden attended the 3rd U.S.-Nordics Leaders' Summit in Finland, which focused on security, technology, and environmental cooperation. Among other issues discussed at the summit, leaders pledged to support Ukraine for "as long as it takes." Some Nordic officials, however, have expressed concern about the status of continued U.S. funding for Ukraine.

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