



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 roughly 27 million people (see **Figure 1**), the Nordics collectively form the world’s 12th-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 Nordics were affected by the Coronavirus Disease 2019 (COVID-19) pandemic. Denmark, Finland, Iceland, and Norway responded to the onset of the pandemic in March 2020 with stringent restrictions on social and business activity. Sweden initially largely trusted its population to practice social distancing but adopted somewhat more restrictive policies in subsequent waves, following a higher death toll per capita and public and parliamentary criticism. Nordic countries saw a significant spike in cases in early 2022 due to the more transmissible Omicron variant, but all five have high vaccination rates (70%-80% of populations have completed initial vaccination protocols). Policies throughout the Nordics have shifted to “learning to live” with the virus.

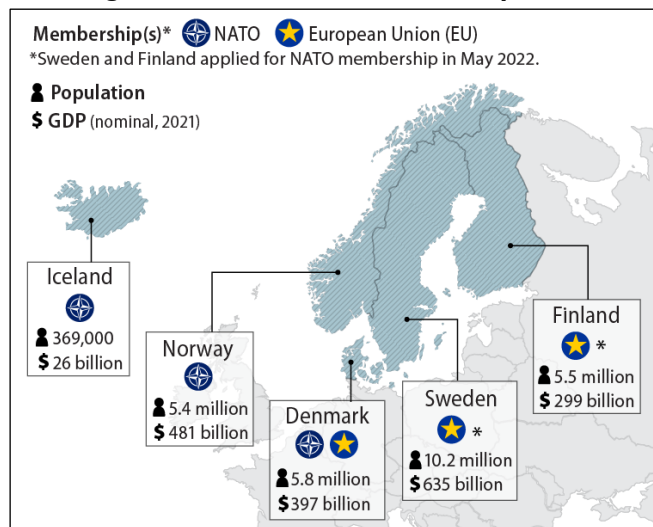
Gross domestic product (GDP) contracted in all five Nordic countries in 2020 because of the pandemic. Iceland’s heavy reliance on tourism led to a 7% decrease in GDP, while economic contraction in the other four Nordics was less severe (between 1% and 3%). All Nordic governments introduced financial support measures. Growth returned in all five countries in 2021 (between 3% and 5%) but is expected to slow in 2022, partly due to the economic impact of Russia’s war against Ukraine. The Nordics typically have relatively low rates of income inequality, but the pandemic exposed and in some cases exacerbated socioeconomic inequality, especially in low-income urban and rural areas and among some immigrant communities. Like other countries, the Nordics currently are grappling with rising energy prices and inflation. 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 tighter asylum policies and curtailed some welfare benefits. These refugee and migrant waves also stirred debates about identity, integration, and security (in relation to both terrorism and crime). Refugees from Russia’s 2022 war in 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. This has fueled the rise of populist parties, increased fragmentation in national parliaments, and upended 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. A right-wing populist party was part of successive Norwegian coalition governments between 2013 and 2020. Far-right, nationalist, anti-immigrant parties are the second- and third-largest parliamentary parties in Finland and Sweden, respectively.

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**, Nordic membership in NATO and the European Union (EU) varies. Although traditionally militarily nonaligned, Sweden and Finland applied to join NATO in May 2022 given growing security concerns about Russia (see below). 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 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 accession would enhance NATO capabilities and strengthen the alliance's defense posture in the Baltic Sea region. Turkey, however, voiced objections—citing its view that Finland and Sweden supported terrorist groups (related especially to the Kurdistan Workers' Party, or PKK)—and delayed the start of the accession process for both countries. In late June 2022, an agreement to address Turkey's concerns allowed the accession process to go forward. For Finland and Sweden to accede, all NATO members must ratify changes to NATO's founding treaty (a process NATO officials hope will be completed by the end of 2022).

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. The Nordic countries are troubled by the environmental and geostrategic implications of climate change in the Arctic. Warming temperatures and melting ice are increasing access to Arctic sea routes and natural resources. 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 growing interests and investments in the region, including with respect to the island of Greenland (a largely self-governing part of the Kingdom of Denmark, with a population of around 56,000).

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 (2019)	Workers Employed in Nordics by U.S.-owned Affiliates (2019)
Denmark	\$16.4 bil	\$34.6 bil	40,000	41,100
Finland	\$6.5 bil	\$10.1 bil	37,100	21,100
Iceland	\$878 mil	N/A	400	1,700
Norway	\$30.6 bil	\$32.5 bil	7,300	42,700
Sweden	\$57.7 bil	\$71.5 bil	226,700	69,500

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 defense cooperation agreement signed in 2021 seeks to facilitate further U.S. military training in Norway and permits U.S. infrastructure investment at certain Norwegian military facilities. In early 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 has defense cooperation agreements with Sweden and Finland. 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 further. The Biden Administration and many Members of Congress support Finland's and Sweden's NATO bids; U.S. approval requires Senate advice and consent. Also see CRS Insight IN11949, *NATO: Finland and Sweden Seek Membership*.

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