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# 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 are largely regarded as open, egalitarian societies. They also are prosperous market economies with relatively high standards of living.

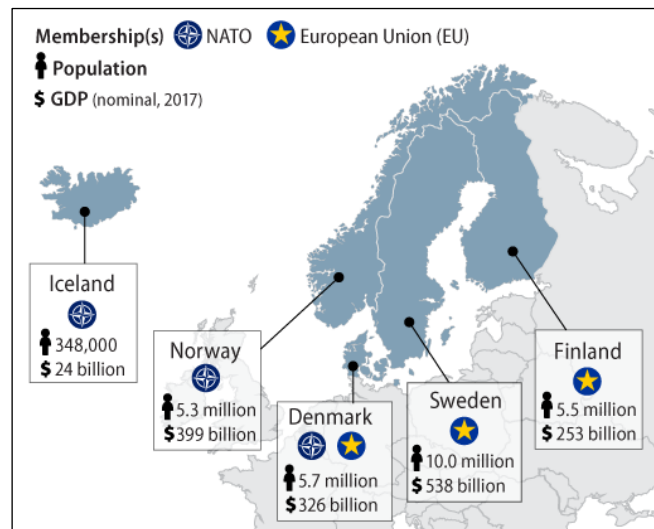
With a total population of almost 27 million people (see **Figure 1**), the Nordics collectively form the world's 12<sup>th</sup>-largest economy. They have extensive social welfare systems and relatively high tax rates but are considered to be innovative, business-friendly countries. The Nordics generally 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.

Despite many advantages, the Nordic countries face some challenges. The Nordics struggled economically in the wake of the 2008-2009 global recession and subsequent European financial and banking crisis. Economic growth has rebounded recently in most Nordic countries (to 2%-3% in 2017), but unemployment is relatively high in some (about 6% in Sweden and 8% in Finland). Despite Iceland's strong economy, many citizens still are burdened by debt from the 2008 collapse of the country's three main banks. Aging populations and fertility rates below replacement rates also raise questions about the long-term sustainability of the Nordics' social welfare systems.

The recent flow of refugees and migrants into Europe has affected Denmark, Finland, Norway, and Sweden. The spike in asylum-seekers in all four countries during the height of the crisis in 2015 strained education, housing, and welfare systems. Most Nordic governments have introduced tighter asylum policies and curtailed some welfare benefits. Newly arrived refugees and migrants also have stirred concerns about identity, integration, and security among some segments of the public in the Nordics.

Economic difficulties and immigration issues have helped fuel the rise of anti-establishment, populist parties in the Nordic countries. Most are on the right or far right and hold anti-immigrant views, although a left-leaning party has emerged in Iceland. Populist parties have joined coalition governments in Norway and Finland in recent years. A populist party is the second-largest party in Denmark's parliament (where a minority government relies on it for political support); another gained more seats in 2018 elections in Sweden and remains the third-largest party in parliament. Such parties have put pressure on establishment parties, upended some traditional political alliances, and heightened tensions within coalition governments.

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



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

## Foreign and Security Policies

The five Nordic countries generally share a common 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 NORDEFCO, 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 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. 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). Finland currently holds the two-year rotating chairmanship of the Arctic Council.

Some foreign policy differences exist among the Nordic countries. As seen in **Figure 1**, Nordic membership in NATO and the European Union (EU) varies because of the countries' different histories, geographies, and foreign policy and economic preferences. Although Sweden and Finland are close partners of NATO, they maintain a nonaligned status. Finland is particularly mindful of its relationship with Russia, with which it shares an 800-mile land border. Finland is the only Nordic country that uses the euro, the EU's common currency. Iceland and Norway

remain outside the EU but participate in the EU's single market and the Schengen area of free movement.

### Nordic Security and Russia

Russia has reemerged as a key security concern for the Nordics in light of the conflict in Ukraine and increased Russian military activity near Nordic borders. In response, the Nordic countries have sought to enhance defense cooperation and work with NATO to strengthen deterrence. In April 2015, the five Nordics unveiled a new agreement to increase information-sharing and cyberdefense coordination, explore joint procurement projects, and improve regional security. Norway and Denmark contribute to NATO's Enhanced Forward Presence (EFP) to bolster allies particularly vulnerable to Russia; each provides 200 soldiers to EFP battalions in Lithuania or Estonia. Sweden and Finland also have drawn closer to NATO; both have concluded host nation support agreements to facilitate potential NATO deployments on Swedish and Finnish territory for military assistance or training exercises.

Russia's actions have increased speculation that Sweden and Finland may seek to join NATO. Although concerns about Russia have generated a degree of greater public support for NATO accession in both Sweden and Finland, opposition in each country remains significant. Most analysts do not expect either country to join NATO in the near future. Nordic governments continue to back U.S. and EU sanctions on Russia in response to the crisis in Ukraine, despite some economic costs (especially for Nordic dairy and fish exporters affected by Russia's retaliatory sanctions). At the same time, many Nordic officials caution against isolating Russia completely.

### Countering Terrorism

Nordic governments have been alarmed by the Islamic State terrorist group (also known as ISIS or ISIL) and its ability to recruit or inspire European citizens and residents. Several hundred Nordic citizens have fought and/or trained with the Islamic State in Syria and Iraq. A Swedish citizen, who may have fought in Syria, has been charged in the November 2015 Paris attacks and the March 2016 Brussels bombings. In April 2017, a rejected Uzbek asylum-seeker—with reported Islamic State sympathies—killed five people with a truck in Stockholm. In August 2017, a Moroccan asylum-seeker with terrorist motives killed two in Turku, Finland.

All five Nordic countries support the U.S.-led coalition against the Islamic State with military and/or humanitarian assistance. Norway, Finland, Sweden, and Denmark provide military training for Iraqi forces. Between 2014 and 2016, Denmark contributed fighter aircraft to coalition operations against the Islamic State. Nordic governments also have sought to enhance antiterrorism laws, prohibit travel for terrorism purposes, and counter radicalization.

### Relations with the United States

The United States and the Nordic countries largely enjoy close relations. Roughly 11 million Americans claim Nordic ancestry. The United States is known to appreciate Nordic cooperation on a wide range of global and regional issues, from cybersecurity to the Arctic. The United States is an important non-European trading partner for the Nordic

countries. As evident in **Table 1**, U.S.-Nordic investment ties are worth billions of dollars, and affiliates of Nordic multinational enterprises collectively employ roughly 279,400 workers in the United States.

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

Nordic Country	U.S. Direct Inv. in Nordics (2017)	Nordic Direct Inv. in U.S. (2017)	Workers Employed in the U.S. by Nordic Affiliates (2015)	Workers Employed in Nordics by U.S. Affiliates (2016)
Denmark	\$13.9 bil	\$18.0 bil	37,300	40,300
Finland	\$3.3 bil	\$6.5 bil	23,700	20,400
Iceland	N/A	N/A	800	1,000
Norway	\$29.2 bil	\$26.0 bil	7,000	42,000
Sweden	\$34.6 bil	\$50.9 bil	210,600	71,700

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

U.S.-Nordic defense ties also are considered strong. Since 1951, the United States has provided for Iceland's defense at the request of NATO. Norway stores U.S. military equipment as part of the Marine Corps' Prepositioning Program and, since early 2017, has hosted about 300 U.S. Marines for winter warfare training. The Danish territory of Greenland hosts a U.S. early warning radar station. In 2016, the United States signed bilateral defense cooperation agreements with both Sweden and Finland aimed at increasing information exchanges, joint training exercises, and research and development collaboration. In 2018, the United States signed a tripartite statement with Finland and Sweden to further boost defense cooperation among all three countries. U.S. defense industrial relations with the Nordics are significant as well. Perhaps most notably, Norway and Denmark plan to acquire the U.S.-built F-35 Joint Strike Fighter as their next-generation fighter aircraft.

At the same time, some tensions exist between the Nordic countries and the United States. Like others in Europe, Nordic officials have questioned the extent of support in the Trump Administration for NATO, the EU, and free trade. Most Nordic leaders have expressed concern about U.S. tariffs on steel and aluminum products and possible future auto tariffs. Nordic policymakers also largely oppose President Trump's decisions to withdraw the United States from the 2015 multilateral nuclear deal with Iran and the Paris climate agreement, as well as the U.S. decision to recognize Jerusalem as the capital of Israel. Nevertheless, Nordic leaders appear willing to work with the Trump Administration on common interests and global challenges, and experts largely expect that the Nordic countries will seek to preserve good relations with the United States.

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