

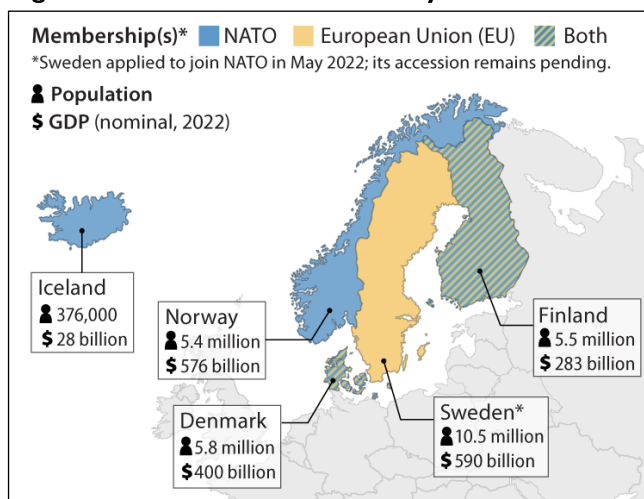
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The Nordic Countries and U.S. Relations

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 prosperous market economies with relatively high standards of living. With a collective population of over 27 million people, the Nordic countries have a combined gross domestic product (GDP) of over \$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.

Figure 1. The Nordic Countries: Key Facts



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

The Nordic countries have been affected economically by the Coronavirus Disease 2019 (COVID-19) pandemic and 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. 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.

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 NORDEFCO, 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 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 delays (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, Russia, and NATO

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 renewed 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 also upended decades of Finnish and Swedish security policy that sought to balance ties to the West, including with NATO, and relations with Russia (Finland has long been particularly mindful of its 830-mile land border with Russia). The United States and nearly all allies assessed that Finnish and Swedish accession would enhance NATO capabilities and strengthen NATO defense posture in the Baltic Sea region.

Consensus is required to admit new NATO members and Turkey (Türkiye) and Hungary have yet to give final approval to Sweden's accession. Turkey's concerns have centered on what it views as Sweden's support for terrorist groups, especially those linked to the Kurdistan Workers' Party (PKK), and demonstrations by pro-Kurdish groups and Quran-burning incidents in Sweden have exacerbated tensions. Turkish officials also have linked progress on approving Sweden's accession to a possible U.S. sale of F-16 fighter jets to Turkey. Hungary's delay in ratifying Sweden's accession may be tied to EU and Swedish criticisms of the Hungarian government's respect for the rule of law. In July 2023, following steps by Sweden to address Turkish concerns, Turkey agreed to move forward with ratifying Sweden's accession; Hungary indicated it would do likewise. In late October 2023, Turkey's president sent a bill to ratify Sweden's accession to Turkey's parliament, which has begun to consider the measure but has not set a specific timeframe. Hungary's parliament has not yet scheduled a vote to ratify Sweden's accession, and Hungarian officials reportedly are in "no rush."

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 announced they would resume work on projects not involving Russia in June 2022. Norway assumed the two-year rotating chair of the Arctic Council from Russia in May 2023 and has sought to advance practical 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. 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 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 (2020)
Denmark	\$14.0 bil	\$39.4 bil	48,300	37,100
Finland	\$4.4 bil	\$9.9 bil	34,200	21,200
Iceland	\$91 mil	N/A	400	1,700
Norway	\$13.5 bil	\$36.9 bil	7,200	37,500
Sweden	\$60.3 bil	\$94.1 bil	208,700	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. 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 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. 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. Some Nordic officials expressed concern about President Trump's views and policies 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 renew and strengthen relations with the Nordic countries. In July 2023, President Biden attended the 3rd U.S.-Nordics Leaders' Summit in Finland, which focused on security, environment, and technology cooperation. The Biden 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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