



## 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 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.

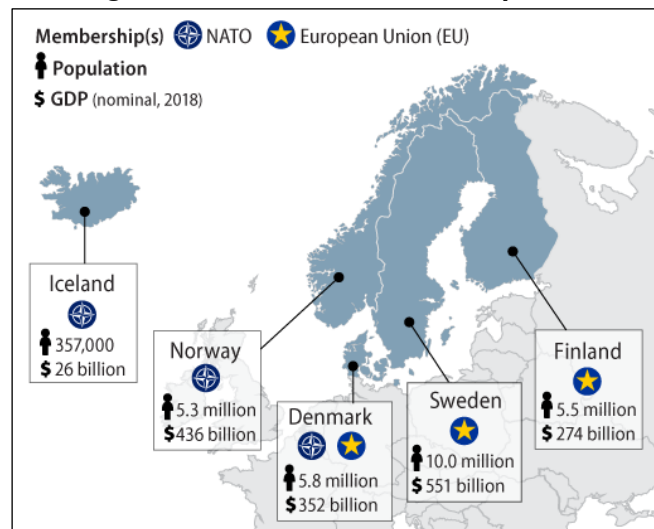
Despite many advantages, the Nordic countries face some challenges. The Nordics struggled economically following the 2008-2009 global recession and subsequent European financial and banking crisis. Economic growth has rebounded since (to around 2% in 2018 in all but Iceland, where it was over 4%), but unemployment is relatively high in Sweden and Finland (over 6% in each). Iceland's economy has slowed in 2019 due to difficulties in its tourism and fishing sectors; many experts expect an economic slowdown in other Nordic countries amid current global trade tensions and uncertainties. Aging populations and fertility rates below replacement rates also 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 spike in refugees and migrants in Denmark, Finland, Norway, and Sweden during the height of the flows into Europe in 2015 strained education, housing, and welfare systems in all four countries. Most Nordic governments introduced tighter asylum policies and curtailed some welfare benefits. Refugees and migrants also have stirred debate about identity, integration, and security in the Nordics. Promoting societal integration has received heightened attention given that several hundred Nordic citizens fought and/or trained with the Islamic State terrorist group (also known as ISIS or ISIL) in Syria and Iraq, and in light of two terrorist attacks carried out by asylum-seekers in Sweden and Finland in 2017.

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 in the Nordics, 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 has been

part of successive Norwegian coalition governments since 2013. Far-right, nationalist, anti-immigrant parties are the second- and third-largest parliamentary parties in Finland and Sweden. In Denmark's June 2019 elections, a center-left party embraced certain populist positions, including stricter migration policies, and is now the governing 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 NORDEFECO, 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.

Some foreign policy differences exist among the Nordics. As seen in **Figure 1**, Nordic membership in NATO and the European Union (EU) varies. 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. 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, but opposition to doing so remains significant in both countries. Most analysts do not expect either country to join NATO in the near future. Nordic governments continue to back 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.

## 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. Iceland currently holds the two-year rotating chairmanship of the Arctic Council. Denmark is an Arctic country because of the island of Greenland—a self-governing part of the Kingdom of Denmark—with a population of around 56,000.

The Nordic countries are troubled by the environmental and geostrategic implications of climate change in the Arctic. Warming temperatures and melting ice (including in Greenland and Iceland) 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 China's growing interests and investments in the region.

## 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 with military and/or humanitarian assistance. The United States also 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 approximately 281,300 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 (2016)	Workers Employed in Nordics by U.S. Affiliates (2017)
Denmark	\$13.9 bil	\$18.0 bil	38,600	40,600
Finland	\$3.3 bil	\$6.5 bil	23,400	19,300
Iceland	N/A	N/A	800	1,400
Norway	\$29.2 bil	\$26.0 bil	6,900	40,500
Sweden	\$34.6 bil	\$50.9 bil	211,900	71,500

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

U.S.-Nordic defense ties 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 hosts 700 U.S. Marines for winter warfare training. Thule Air Base in Greenland is the U.S. military's northernmost installation, providing missile warning and space surveillance. The United States signed bilateral defense cooperation agreements with both Sweden and Finland in 2016 and a tripartite statement on boosting defense cooperation further in 2018. Norway and Denmark plan to acquire the U.S.-built F-35 Joint Strike Fighter.

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 the multilateral trading system. Most Nordic policymakers have expressed concern about U.S. tariffs on steel and aluminum products and possible future auto tariffs. Nordic leaders 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.

Although Nordic leaders welcome recent U.S. efforts to enhance engagement on Arctic issues, this area also poses challenges for U.S.-Nordic relations. Many Nordic officials were dismayed by the U.S. decision to block a reference to climate change in the May 2019 Arctic Council joint statement. In August 2019, President Trump expressed interest in purchasing Greenland due to its strategic location and natural resources. After Greenlandic and Danish officials asserted that Greenland is "not for sale," President Trump cancelled a planned visit to Denmark. This incident has led some to raise concerns about the future trajectory of U.S.-Nordic cooperation, especially with respect to the Arctic. Despite current frictions, however, many experts expect that the Nordic countries will seek to preserve strong and close relations with the United States for the long term.

**Kristin Archick**, Specialist in European Affairs

---

## Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.