



**JATSS, 2023 ; 5(3), 236-250**

***First Submission: 10.08.2023***

***Revised Submission After Review: 19.09.2023***

***Accepted For Publication: 28.09.2023***

***Available Online Since:30.09.2023***

**Research Article**

**How Neutrality Lost its Appeal as a Political Strategy: Sweden and Finland's  
Accession to NATO**

**Akif Bahadır Kaynak<sup>a</sup>**

**Abstract**

NATO is about to embrace two Scandinavian countries as new members, even though Sweden and Finland opted for neutrality during the Cold War. In the political turmoil of the second half of 20th century, those two countries preferred to stay on the sidelines. The struggle between two poles of global politics raged on, yet even after more than three decades since the collapse of Soviet Union, they choose not to commit to the Western alliance. After a period during which existence of NATO was questioned, it is imperative to explain how once again the alliance attracts newer members to its fold. Evidently, Russia-Ukraine war was the trigger behind the change in strategies but the question how this conflict is different than has other Cold War engagement remains. This paper investigates how NATO membership became the optimal strategy for previously non-aligned countries in Europe even after a bipolar world order faded away. A game theory approach outlining the choices and payoffs for Russia versus Sweden and Finland will be used to understand the changing strategies for all actors.

*Keywords:* NATO enlargement, post-cold war order, European security, Sweden, Finland

*JEL Codes:* F50, F51, F52, F53

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**JATSS, 2023; 5(3), 236-250**

**İlk Başvuru: 10.08.2023**

**Düzeltilmiş Makalenin Alınışı: 19.09.2023**

**Yayın İçin Kabul Tarihi:28.08.2023**

**Online Yayın Tarihi: 30.09.2023**

**Araştırma Makalesi**

**Tarafsızlık Politik bir Strateji olarak Cazibesini Nasıl Kaybetti? İsveç ve  
Finlandiya'nın NATO'ya Katılması**

**Akif Bahadır Kaynak<sup>a</sup>**

**Öz**

İsveç ve Finlandiya Soğuk Savaş boyunca tarafsızlığını korudukları halde, şimdi bu iki İskandinav ülkesi NATO'ya üye olmaya hazırlanıyorlar. 20nci yüzyılın çalkantılı ikinci yarısında iki ülke de taraf seçmemeyi tercih etmişlerdi. Küresel siyasetin iki kutbu arasındaki mücadele devam ederken de, hatta Sovyetler Birliği'nin çöküşünden otuz yıl sonra bile tarafsızlıklarını korumayı sürdürdüler. NATO'nun varlığının sorgulandığı bir sürecin sonunda ittifakın nasıl bu yeni üyeleri bünyesine kattığının anlaşılması önem kazanıyor. Rusya-Ukrayna savaşının bu değişimdeki ana etken olması bir yana bu çatışmanın Soğuk Savaş boyunca gördüğümüz diğer sorunlardan nasıl farklılaştığını anlamak gerekiyor. Bu çalışma, iki kutuplu bir dünya düzeni sona erdikten sonra bile NATO üyeliğinin, bugüne kadar tarafsız kalmış bu ülkeler için nasıl optimal bir strateji haline geldiğini ele almaktadır. Rusya'ya karşı İsveç ve Finlandiya'nın değişen stratejilerini anlamak için tarafların seçeneklerini ve getirilerini ele alan bir oyun çerçevesi bu çalışmada kullanılacaktır.

*Anahtar Kelimeler:* NATO genişlemesi, soğuk savaş sonrası düzen, Avrupa güvenliği, İsveç, Finlandiya

*JEL Kodlar:* F50, F51, F52, F53

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## Introduction

Russia-Ukraine war led to a major reshuffle in power distribution among global actors illustrating the versatility of international politics and how actions can create results beyond expectations of decision makers. Launched as a special operation by Kremlin, incursion into Ukraine was supposed to be accomplished in weeks if not in days and Russia would reassert its nominal suzerainty over its neighbor. In fact, operations against Ukraine had already started in 2014 with the occupation of Crimea and parts of Donbas but the political stalemate must have induced Putin administration to make a move to break the gridlock.

Despite Kremlin's optimistic expectations, Ukraine came out to be a tough nut to crack and the armed conflict is dragging on in its second year. Putin's justification for Russian aggression underlies the fact that post-Soviet republics, excluding the Baltic states, are viewed as Russia's backyard (Jankowski, 2023). That brings Moscow to a crash course not only with Ukraine but also with the Western Alliance altogether as international rules and norms are interpreted in different ways by both parties.

As the war intensifies, a major collateral damage for Russia is that two Scandinavian countries that maintained their neutrality throughout the Cold War years and more than three decades thereafter, are finally aligning themselves formally with NATO (Forsberg, 2023). Swedish and Finnish decisions for accession to NATO are obviously related to the effect of the Russo-Ukrainian war on European security. An increased risk perception caused by Russian aggression has apparently brought the cost of non-alignment higher. The payoffs for Sweden and Finland have changed so that those two countries embraced a strategy different that their posture in the Cold War years and the three decades after that.

A matrix outlining the choices available to actors taking part in this research will be utilized to sort out the changing payoffs of the actors. This model will be accepting the main premises of the realist tradition taking the actors are unitary power maximizers in anarchic order. It is difficult to quantify the benefits versus costs of the Swedish and Finnish decisions, so a purely analytical game theory framework is hard to implement. Yet, it is possible to outline pros and cons of alternative decisions and to illustrate how a broadly increased probability of Russian aggression has affected the payoffs and response functions of the two Scandinavian states.

Within the context of this study, the impact of domestic policy making processes in Sweden and Finland (Haugevik, 2022) will be ignored, taking those two countries as unitary actors that maximize their security given the external conditions. Hence, the inner workings of their system are ignored and both countries are taken as black boxes with respect to their relations with outer world.

Russian invasion of Ukraine will be considered as an exogenous shock and the independent variable whose direct effect on the decisions on other actors will be tested. Another assumption is that NATO is already welcoming those new two members, so the accession will be a one-sided decision. This is despite that fact that Turkey and Hungary dragged their feet to approve Swedish membership, this was a temporary delay and has not led to a decisive rejection of accession process. Russian invasion also triggered responses from other European members of NATO who have increased their investments in defense, and this may also have an indirect impact on Stockholm and Helsinki. Nevertheless, it is also going to be discarded within the scope of this analysis and solely the interplay between the war in Ukraine and expansion of NATO in Scandinavia will be analyzed.

## Historical Background: Power Struggle in the Baltics

It is essential to understand the geopolitics of Northern Europe in a historical perspective to evaluate the outstanding circumstances that bind Sweden and Finland to a military organization. Sweden is an ancient kingdom of Europe as a medium sized actor since the early modern ages but eventually was pushed back by a resurgent Russia ruled by Peter the Great (Anderson, 2014, p. 54-64). It was a major actor in the thirty years war that was fought to thwart Habsburg domination of the Continent but started to decline politically after this defeat. A similar attempt by Napoleonic France by the beginning of the 19<sup>th</sup> century was similarly opposed by Sweden, albeit this time under the leadership of one of the legendary commanders of Napoleon himself, Bernadotte. The Vienna Congress that brought end to a quarter of century of warfare in Europe, reconfirmed the balance of power in the continent (Kissinger, 1994, p. 78-85) where Sweden was not a major power but maintained its independence.

The picture was bleak for Finland that fell under the control of Russian Czarism, and it stayed so until the end of World War I. The period between the Vienna Congress and the outbreak of World War I is generally considered a period of relative stability as conflicts remained regionalized and did not lead to a generalized confrontation between major powers (Taylor, 1974, s. ixx-xx). Nevertheless, this does not imply that there were no significant changes in power distribution among actors for a century. On the contrary, the empires of the Continent gave way to emerging powers and nation-states. This was only achieved by relatively less upheaval on a continental scale and a process of transfer of power among actors while Italy and Germany completed their unification (Kissinger, 1994, p. 103-119). The *status quo* established in the Baltics and Scandinavia, on the other hand, was much more stable. This gave Sweden the chance to keep itself isolated from the turmoil in the Continent maintaining its neutrality. Finland, in the meantime, remained part of the Russian Empire.

It is the First World War that altered a century of stability in the region as Russian Czarism collapsed due to the pressure by the German Army and internal fractures and the country found itself in chaos after the Bolshevik Revolution. Finland broke away from St. Petersburg with the Brest-Litovsk Treaty in 1918 established it as an independent country (Chernev, 2011). Sweden had maintained its neutrality throughout the war years and as the hostilities ended, great powers, including Russia, were pushed back from Scandinavia.

During the interwar years, German revanchism that culminated with Hitler's ascent to power set its eyes on the revision of the *status quo* in the central Europe (Kissinger, 1994, p. 290-294). In the meantime, Soviets targeted Finland, Baltic states and Poland to reverse the clauses of the disastrous Brest-Litovsk Treaty (Kissinger, 1994, p. 352-356). The so-called Winter War, which pinned down significant Soviet military resources in Finland, is considered to be one of the opening scenes of the Second World War. Finnish resistance convinced Stalin to a peace treaty in return for border revisions in favor of Moscow and promise of benevolent neutrality from Helsinki. When the War erupted in September 1939, both Scandinavian countries managed to stay out of the firestorm of the armageddon. Germany invaded Norway (Çınar, 2022) to create a base for the naval operations in the North Sea, but the rest of the region remained untouched.

German capitulation in 1945 meant that Europe was divided between Western and Soviet zones of influence, a fact that was further consolidated with various crisis in Eastern Europe and particularly the dispute around Berlin (Judt, 2005, p. 100-113). Cold War took off

as Churchill indicated in his Missouri, Fulton speech “an iron curtain descending from Stettin in the Baltic to Trieste in Adriatic” separated the continent into two rival camps. This division persisted throughout the Cold War years but in the north of this virtual line, in Scandinavia, the tensions were somewhat lower. While Norway joined NATO immediately as a founding member, Sweden and Finland refused to be a part of any alliance (Fischer, 2016).

Yet we should take note of the political differences among those two countries. For Sweden, being a member of NATO was not preferable, but the country remained firmly in Western orbit. As for Finland, a country sharing a thousand-kilometer-long border with Soviets, it had to be more prudent. Helsinki accepted the role of a neutral buffer between the Red Army and NATO forces, a fact that also helped the region to remain outside the tension of East-West demarcation lines. Finland’s position in between two competing powers helped it to assume the role of a neutral zone as tensions were eased is the case of the Helsinki Final Act (Antola, 2005). It was one of the milestones of Cold War, all parties agreed on the non-violability of borders and the *status quo* established in Europe after World War II, while respect for human rights was introduced for the first time in international documents.

When the Soviet Union disintegrated, the threat that kept Europe together vanished, so the buffer states of the Continent found a wider range of options when the frozen conflict between East and West ended. Hence Austria, Sweden and Finland, three non-aligned states of the Cold War became members of European Union in 1995 with the fourth wave, but they did not become NATO members (Ferreira-Pereira, 2006) as public opinion in those countries remained wary of military commitments. While Baltic states and Eastern Europe jumped to the wagon with NATO almost simultaneously with EU membership, Sweden and Finland did not need such guarantees.

Russia in the 1990s seemed too weak to pose a threat to its neighbors in the West as it struggled with economic decline and internal political problems, such as the Chechen Wars (Menon, 2000). Even the rebound of Russia from its nadir at the end of the millennium under the leadership of Putin did not convince Sweden and Finland to seek extra security guarantees. On the contrary, they reduced the size of their military substantially (Dahl, 2013) which was prepared to counter a potential Soviet attack. EU membership, as well as being a partner with NATO after 1995, seemed to offer enough guarantees for both Scandinavian nations. In the same period, Russia and other former Soviet republics also joined Partnership for Peace program with NATO (Borawski, 1996), so easing tensions allowed reductions in military expenditures.

Those arrangements did not mean that the aftershocks of the dissolution of Soviet Empire were completely absorbed as there were still trouble spots in various areas. One such problem spot was in the Caucasus where Azerbaijan and Armenia clashed for control over Nagorno-Karabakh. Russia itself interfered in Georgia in 2008, when a pro-Western government took office in Tblisi and declared its intentions to integrate with Europe. The Russian invasion under the pretext of protecting the minorities in South Ossetia and Abkhazia showed Kremlin’s increased activism in the former Soviet geography (Mikhelidze, 2009). In the first decade of the new millennium, thanks to booming oil and gas revenues, Moscow was able to finance a modernization program of its army that would eventually be used for flexing its muscle in its neighborhood. The test in Georgia was easy and they successfully imposed their supremacy in the region. As Moscow also held the key in Nagorno-Karabakh, Putin was right to believe that Southern Caucasus remained within their grasp.

However, the main problem was in Ukraine where the situation continued to deteriorate in the years after Russia recovered its strength. Ukraine declared independence in 1991 after

the dissolution of the Soviet Empire, yet it was always perceived to be one of the republics that had closer bonds with Kremlin. With 1994 Budapest memorandum, Ukraine agreed to hand over its significantly large nuclear arsenal in return for guarantees for its territorial integrity from Russia and the West (Budjeryn, 2014). A treaty between Moscow and Kiev in 1997 further underlined good relations between those two capitals as well as confirming their post-Soviet borders. When in 2003 the Rose Revolution erupted in Georgia that wanted to establish firmer relations with the West at the expense of Russia, Ukraine still seemed to keep its position firmly in Moscow's orbit. However, after 2005 Orange revolution, Ukraine became a permanent ground for struggle between pro-Western and pro-Russian groups while the latter gradually lost ground leading to the current conundrum (Karatnycky, 2005).

In 2014 when Kremlin understood that it had lost control of Ukraine permanently after Euromaidan, pro-Russian groups took control of significant chunks of Donetsk and Luhansk as well as the Crimean Peninsula. Even though the invaders claimed to be autonomous local forces it was obvious from the beginning that those operations were orchestrated and undertaken covertly by Russia. Armed clashes in those regions were frozen after a while with Minsk agreements (Allan, 2020), but a political solution was not reached.

The aggressive Russian policy in 2014 did not lead to a revision of Finnish and Swedish neutrality per se but both countries increased their cooperation with NATO in the meantime. While Russian authorities accused Finns of Russophobia and warned against the danger of another NATO member on their border, they would be the ones to bring this dreaded outcome to reality (TASS, 2023).

Russia's political and military activism was not a big concern as long as it concerned geographies further away from Europe. When Moscow sent mercenaries and equipment to Libya and was directly involved in Syrian civil war after Bashar el-Assad's invitation, they were not perceived as real threats on a continental scale. Putin positioned those endeavors as attempts to counter US hegemony over the globe (Mankoff, 2021). His remorse for the demise of Soviet Union, although accepted its inevitability, was the driving motivation behind Russia's challenge to American dominance on the global politics. Nevertheless, European security structure was not affected by those far away adventures. Even 2014 invasion of Crimea and Donbas was mitigated by diplomatic overtures and maneuvers.

When the risk of Russian invasion became real at the beginning of 2022, this fragile balance already was crumbling. Efforts by German Chancellor and French President to convince Putin to shun away from use of force were alarm bells for European political stability yet, did not change his policies. Despite the alarmism of France and Germany, Russian President finally gave a green light to Ukraine's invasion. The effect of this fateful decision obviously went beyond his initial intentions.

### **War, Changing Scenarios and New Strategies**

The special operation as planned in Kremlin was supposed to end in weeks if not days. Yet, the war dragged on for months, pitting NATO indirectly against Russia in Ukraine. The revision of the political map that Putin wished to achieve in Ukraine was resisted by Western allies. In Putin's mind former Soviet republics, excluding the Baltics, were exclusive zones of influence for Russia, but the West disagreed. Hence, a bloody stalemate was reached in the battlegrounds of war.

In the meantime, Putin's interpretation of post-Cold War order, as can be seen in his justification for the war in Ukraine, led to a new assessment of European security. Russian President questioned the territorial integrity of Ukraine, making references to historical events

as he distorted them to his advantage (Hill, 2022). Despite previous international agreements as the Budapest Memorandum of 1994 or Russia-Ukraine Friendship Treaty in 1997, Kremlin questioned the borders of Ukraine and claimed that some parts belonged to Russia but was recklessly handed over to Kiev by wrongdoings of previous governments. Once this revisionist claims were extrapolated to Russia's policy towards its other neighbors, an overall disrespect for internationally recognized borders naturally led to a reevaluation of previous risk perceptions. Historically, Russian Czarism's borders not only extended over Ukraine but also Finland, Poland and today's Moldova. Furthermore, Russia controlled almost all of Southern Caucasus which is Georgia, Armenia, Azerbaijan today and even occupied parts of eastern Turkey. According to this vision, even if the buffer zone of Cold War was accepted as temporary by Russian revisionism, the borders of their glorious Empire historically extended well beyond current political map. Hence, a policy based on historical references meant the probability of a Russian aggression was not negligible for Eastern Europe.

Former Eastern Bloc members from Baltic Republics to Poland and Romania are members of NATO thus any aggression against those countries will automatically activate the clause 5 of Alliance treaty, that stipulates it as an attack on all members. Despite this open guarantee, at the initial stages of Russo-Ukrainian war, even NATO members of Eastern Europe were alarmed, but this anxiety diminished after the successful resistance of Ukraine. Moscow's aggression seemed limited to Ukraine, a country that was left outside the protective shield of Western Alliance.

When it came to former Soviet Republics including the Caucasus and Central Asia, Kremlin nevertheless emphasized its privileged status. Although no such claims were made for Finland and Sweden, the public opinion shifted dramatically in both countries favoring membership to NATO (Forsberg, 2023). This is remarkable given the historical preference of Finnish and Swedish people and governments for neutrality. Public opinion may be open to swings depending on perceived threat, but eventually political decisions need to be made considering rational calculations and expectations. Hence, the new political climate may be analyzed in the light of changing payoffs and strategies.

The fact is that Russian threat after the war in Ukraine was perceived as imminent and real by both Stockholm and Helsinki. Both countries are linked to Europe by being members of EU as well as all other European organizations. Nevertheless, they are not formally part of a formal alliance system even though defense cooperation between NATO and those two countries is getting more robust. This sort of an ambiguous attachment to NATO might invite Russian intervention, rather than bring protection. Apologists of Russian aggression in Ukraine have reiterated Kiev's imminent membership to NATO as the triggering factor for Kremlin's intervention (Cecire, 2022, p. 7). According to this interpretation, West was already developing military ties and NATO infrastructure was already in place. Therefore, it was the right time for Moscow to intervene in Ukraine before full membership made it almost impossible. This line of reasoning, when applied to Finland and Sweden, leads to fearsome conclusions. These two countries must have felt that by a limited cooperation with NATO but by staying outside, they were calling the devil, rather than deterring it. In such circumstances, Russia would find enough reasons to intervene, but this vague commitment does not provide enough deterrence, so it is the worst combination.

There could be two lines of action in this case. The first would be to accommodate Moscow's political perspective and take a step back away from integration to the Western security apparatus. In return for reducing cooperation with the Allies, Russia would be less inclined to interfere militarily in the Scandinavian peninsula. This would be a reversion back to

Cold War settings. However, that also could entail significant increases in military expenditures individually as both countries invested heavily in defense in the second half of 20<sup>th</sup> century. Positioning themselves as neutral countries but at the same time increasing the cost against an aggressor, Sweden and Finland might repeat the same strategy. It should be noted that, as technological advances accelerate, autonomy in defense will become more costly (Brose, 2019). Thus, this first option will require substantial monetary transfers from national budgets for defense.

The second line of action would be to accelerate the integration with Western allies even at the expense of costing relations with Moscow. This means a full membership to NATO, apparently the worst choice for Kremlin, which would want to stop this eventuality. On the downside this strategy might bring hostility from Russia, but on the other hand this will be countered by the deterrence capacity of NATO. Furthermore, economies of scale will help optimize military expenditures that would have skyrocketed in the case of an autonomous defense strategy. Both countries might specialize in their areas of strength while transferring many other responsibilities to their allies. For Sweden, they have a superior, stand-alone air force powered by Gripen fighter jets, surveillance planes as well as technologically advanced naval platforms, manned or unmanned (Lundmark, 2022). Moreover, Gotland Island, that controls the entry to the Russian ports of the Baltic, is a major geopolitical asset (Wedin, 2019). Finland, on the other hand, shares a thousand-kilometer border with Russia and will bring the advantage of proximity to NATO forces that will enable them to strike Russian territories, including St. Petersburg.

The third option, which is preserving the *status quo*, is the least preferable because it not only gives an incentive to Moscow to attack while not providing enough Alliance coverage. The guarantees need to be solid and unmistakable to discourage any potential aggressors from attacking.

**Table 1**  
*Russia vs Finland&Sweden Strategy, Payoff Matrix*

		Finland&Sweden’s Response		
		Neutral/Buffer State	Pro-Western Aligned	Non-NATO members
<b>Russia’s Strategy</b>	<b>Status Quo</b>	<p><u>Russia:</u> Security needs are met in the Baltics (and Arctic), no additional investment on defense needed for northwestern flank. But Finland&amp;Sweden can be buffer zones as long as they remain outside Moscow’s orbit.</p> <p><u>Finland&amp;Sweden:</u> Both countries preserve their autonomy to the maximum. Threat of Russian aggression reduced. But substantial</p>	<p><u>Russia:</u> Increased tensions along the Russo-Finnish border and the Baltics. Need for additional military capacity in the region. Direct confrontation with NATO is avoided yet further security concerns arise. Nevertheless, this should not be exaggerated as nuclear powers already have deterrence capacity.</p> <p><u>Finland&amp;Sweden:</u> Both Scandinavian countries further deepen their integration not only with EU but the West’s</p>	<p><u>Russia:</u> Moscow perceives threat from its western borders with Finland as 1000 km border with NATO added. Furthermore, Swedish membership puts additional strain on Russia’s security in the Baltics.</p> <p><u>Finland&amp;Sweden:</u> Membership provides maximum security to both countries however at a cost of additional loss of autonomy. Despite diminished risks Finland and Sweden commits to the Alliance policies that</p>



		investment in defense is required for any contingency.	security apparatus, NATO. With optimization in defense expenditure Sweden and Finland can have security with minimal costs.	may bring unwanted tensions with Russia
	<b>Revisionist</b>	<p><u>Russia:</u> Domination of Scandinavia up to Norway and control over the eastern Baltics. Sweden and Finland established as client states, reducing the need for increased military expenditures in the region. Resources may be used in other zones of conflict. Baltic states may be pressurized for a more moderate route to drop their anti-Russian policies.</p> <p><u>Finland &amp; Sweden:</u> Both countries will be forced to accept Russian dominance in the region. Significant loss of autonomy. Rupture with the West may reduce cooperation in military as well as economic spheres.</p>	<p><u>Russia:</u> The main target of Moscow's policies are not the two countries yet collaboration with NATO obviously dresses them as potential adversaries. In the absence of clause 5 of the Alliance, Kremlin perceives that a possibility to exert its military might is not out of question.</p> <p><u>Finland &amp; Sweden:</u> Cooperation with NATO brings certain assets and cost saving opportunities. On the flip side this brings negative attention from Moscow, increasing security risks. Moreover, by not being a member, those two countries are lacking the protective shield of the alliance.</p>	<p><u>Russia:</u> Aggressive policies of Kremlin are countered by an equivalent force. Moscow faces the might of a grand coalition along a 1000 km extra border and the Baltics as well. Security situation deteriorates sharply requiring significant investments on military.</p> <p><u>Finland &amp; Sweden:</u> NATO membership requires compromise from the autonomous policies so far implemented. Alliance also asks a substantial defense investment from the members. Nevertheless, it is by far more feasible than "go it alone" policies. A comprehensive defensive alliance increases the security situation in both countries significantly.</p>

The matrix above illustrates the options presented to both parties in terms of their stances in the international arena. Evidently, this is a very simplified form of a much more complex web of relations that the parties are engaged, but it helps understand how the current conundrum was reached. Before going into the analysis of the table, it should be noted that this does not represent a game played simultaneously but rather a display of consecutive moves by different parties.

Initially Kremlin's policies, which were more likely biased towards a *pro-status quo* policy after the End of Cold War, presented opportunities for Sweden and Finland to improve their security situation unilaterally. Why Eastern European countries opted for full membership to NATO as opposed to a "Partnership for Peace" framework is beyond the scope of this paper. Obviously both Finland and Sweden were happy with the payoffs presented in case of a non-aggressive Russia. As can be followed from the above matrix, they were able preserve their autonomy by not being seconded by NATO priorities. At the same time, they were able to afford relatively smaller defense expenditures which were considerable during Cold War years.

The table also illustrates that Finland and Sweden's shift from a neutral stance to a more pro-Western policy improved their standing in the region while Russia suffered. Moscow's preference would be to preserve the neutral status of Sweden and Finland region. However, it should also be noted, looking at the developments after the Cold War, this should be one of the least concerns of Kremlin. All Eastern European countries, which were previously Warsaw pact members, joined NATO. Moreover, Baltic Republics that were part of the Soviet Union followed the same trajectory. Thus, we can claim that the policies pursued by Finland and Sweden was not a menace for Russia and was among the least worrisome for them.

Then came the Russian move to shift to a revisionist policy under Putin. This came after a long series of disruptive policies that targeted American hegemony if Russian claims are taken at face value. Those moves that clashed with American interests in Latin America, North Africa and the Middle East had almost negligible impact on the security situation in Europe. On the other hand, even the intervention in Georgia in 2008 unnerved policy makers in the West. This incident was not only a precursor to other Kremlin moves but also had the potential to disrupt Caspian oil and gas into the world markets. Consequently, it would have a major impact on global energy markets leading to a deterioration in energy security for the continent. Fortunately, Russia-Georgia War in 2008 did not last long when Tbilisi had to yield to the superior Russian arms. But it also encouraged Kremlin to press forward its agenda in former Soviet territories. So in 2014, when Euromaidan protests resulted in the change of government in Ukraine, Russia reacted by occupying Donetsk, Luhansk but most important of all, Crimea. From a certain point of view, this might be considered as Russia's admission of weakness, because rather than trying to recapture the entire country, they focused on limited strategic objectives. However, that also illustrated Kremlin cared little for internationally recognized borders and could contest them with the hard power at its disposal.

2014 occupations ended with Minsk agreements that merely froze the conflict without reaching a political settlement. It was just a matter of time before hostilities resumed and in February 2022, Putin resorted to muscle flexing to settle the Ukrainian question once and for all.

As it is beyond the scope of this paper, rather than delving into the specifics of the war but by re-visiting our payoff matrix, it is essential to try to understand how a more belligerent Kremlin led to Finland's and Sweden's shift to NATO membership. It is already established that after the Cold War, Russia would prefer a continuation of Swedish and Finnish neutrality. In an environment where East-West tensions rose, even partial cooperation with NATO was detrimental to Russia's interest. So, Moscow moved from a "pro-*status quo*" policy to a "revisionist" one. In that case, the table illustrates Russia has improved its payoff in the particular game that is being analyzed but the consequence for Scandinavian states is dire. They had not only failed to bring in NATO protection but also increased the probability of Russian aggression. It is clear that when Moscow switches to a "revisionist" policy, the new dominant strategy for Finland and Sweden is to ask for a total commitment from NATO for their territorial integrity. That can only be provided under Article 5 of the Alliance Treaty and is exclusively applied for members. As witnessed in the case of Ukraine, any ambiguity in this commitment will trigger aggression rather than deter it.

Hence, a new equilibrium is reached where Russia is challenging the *status quo* by making claims on its neighbors based on historical references. In response, countries that had preserved their neutrality in previous decades are flocking behind the protective shield of NATO. As previously claimed, this is not a simultaneously played one-time game, so in theory decisions may be reversed. In the meantime, it might be easier for Russia to revert from its

revisionist policies while Sweden's and Finland's membership to NATO may be harder to terminate. So far, no members have left the Alliance permanently even though Greece and France have temporarily withdrawn from military operations, but they returned back as circumstances changed. So even if Kremlin decides that the new equilibrium is creating losses for her, it may not be possible to go back to the old equilibrium where Russia is *pro status quo* and Finland and Scandinavia do not deepen their relationship with NATO to the point of membership. Due to transactional costs, it might be the case that two Scandinavian countries stay in NATO despite Russia taking a step back. In that case the choice for Kremlin is between two negative options, because whatever their strategy will be, NATO has already expanded in Scandinavia and reached their borders.

### Conclusion

This paper deals with a side effect of Russia-Ukraine war, that is the expansion of NATO to include two new members. Evidently, the large scale armed conflict that started in 2022, and the political arguments to justify the operation, started the chain reaction that resulted in another round of NATO expansions. So, the question is to find the causal relation between these two events.

A simplified decision matrix illustrates the payoffs faced by parties and how the political situation deteriorated especially for Russia, the country that started the events. Obviously, the best outcome for Moscow was a continuation of Cold War dynamics but it was not feasible after the dissolution of the Soviet Empire. Counter moves to offset to change in the balance of power only resulted in a worse equilibrium for Moscow as Finland and Sweden rushed to join NATO after 2022. For them, it was the optimal strategy after Russian invasion of Ukraine, which would enable them to increase their security with minimal costs.

The question now comes to why Russians were unable to foresee the consequences of their action, as a simple calculation would show that the unfolding events would not lead to a result favorable to them. There might be two layers of explanation to Moscow's inability comprehend the natural outcome of this matrix. The first is that the global politics is not played in the simplified models of two player game. International politics is a complex web of interwoven relations where side effects are sometimes disregarded. Kremlin's focus was mainly on Ukraine and to maintain their dominance in the Black Sea basin. The political situation in Scandinavia and Baltics was of secondary importance and had a much smaller weight in making calculations.

The second layer of explanation complements the first. It is widely accepted that Putin did not envisage a full-scale war, let alone an extended clash of attrition of epic proportions. The initial plan was to overtake Ukraine in a short time and when that failed Russia directed its attention to smaller objectives, such as creating a land bridge to Crimea and defending it against Ukrainian attempts to retake it. In the meantime, Western supporters of Kiev would be forced to accept a settlement by using economic leverage. When that failed, Russia's initial plan of a limited operation cascaded to a large-scale armed confrontation.

A surgical operation would not lead to an overall reassessment of Russian intentions vis-à-vis Europe. The intervention in 2014 did not lead to a major reevaluation of Moscow's objectives in European geopolitics and did not bring any significant measures to counter them. So, taken both layers together, Russia did not expect its perception in Europe to go from a *pro status quo* force to an aggressive actor that should be resisted at all costs. Even a temporary deterioration would be accepted, while Kremlin wished to mend the ties in the longer horizon. When things got out of hand, the struggle for control over Crimea and the prestige of Russia

was so important that they had to accept a permanent shift from a better equilibrium to a worse one, in the context of the political situation in Scandinavia and the Baltics.

So, the result is a mix of miscalculation of the odds of success of the military occupation and an inevitable shift to a more antagonistic equilibrium as the actors maximize their payoffs in the available circumstances. Once the operation was launched and triggered an escalation that was not initially foreseen, there was no turning back as actors took new positions that bind them. So in its nature, the game played illustrates the characteristics of a single-shot play that irreversibly led to a new equilibrium. In this new setting, Finland and Sweden choose to join NATO in order to deter a potential Russian aggression. This is a direct consequence of Russian aggression and the changing perception of risk regarding Moscow's intentions after their attack on Ukraine in 2022.

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**Information About the Article/Makale Hakkında Bilgiler****Conflict of interests/ Çıkar Çatışması**

The author has no conflict of interest to declare.

Yazar çıkar çatışması bildirmemiştir.

**Grant Support/ Finansal Destek**

The author declared that this study has received no financial support.

Yazar bu çalışma için finansal destek almadığını beyan etmiştir.

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