



Roubini Estimates Risk of Catastrophe in Ukraine at 70 Percent

By Dan Weil

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Renowned economist Nouriel Roubini of New York University sees a major risk that the confrontation between the West and Russia over Ukraine will turn from a cold war into a hot one.

That could happen if Russia invades eastern Ukraine, he tells [Bloomberg TV](#). "Global risk aversion" would then be the rule in financial markets.

In addition, "if this became a real war, the supply of gas to Europe may be cut off from Russia," Roubini asserts. That nation supplies about one-third of Europe's natural gas imports.

"The European economy is barely recovering from a recession, and that could tip the eurozone back into recession," he notes.

"The last thing the eurozone can afford is another shock coming from an increase in gas prices or cutoff of supply from Russia."

Asked how concerned he is, on a scale of one to 10, that catastrophe will result from the Ukraine standoff, Roubini declares, "Today I would say the risk is around seven and rising."

It appears that Russia wants to take over Ukraine and "therefore an escalation is likely to occur," he alleges.

It's unclear how long a military conflict would last, "especially if the U.S. and Europe were supporting the government in Kiev militarily," Roubini adds.

"This is not my baseline [forecast], but there is a downside risk that this will happen. This could linger for a while, and investors may become worried."

The other big risk for the global economy is China's economic slowdown, he argues. GDP growth registered 7.4 percent there in the first quarter, the lowest figure in 1 ½ years.

"While the consensus believes china will have a soft landing, growth of about 7 percent, my reading of the data is that because of the buildup of leverage and the need to rebalance the economy from fixed investment and consumption to slow down, . . . growth may be 6.5 percent next year."

As for the Federal Reserve, he sees risk regardless of how the central bank pulls back from its massive stimulus program.

"Either they exit too fast, and there is a hard landing for the economy, or they wait too long to act because the economy is still weak and unemployment is high and inflation is low," Roubini states.

The risk of exiting too slowly is that "we will re-create the same type of bubble we saw a few years ago followed by a bust and the crash," he stresses.

"There is already frothiness in financial markets."

Getting back to Ukraine, it may not take a hot war to destabilize the global economy. Experts say sanctions alone may bounce back to hurt the West in addition to Russia.

Russia would probably strike back against European and U.S. companies that are active in the world's ninth largest economy.

"There no doubt would be Russian retaliation," Justin Logan, director of foreign policy studies at the Cato Institute, tells [CNBC](#). "Companies with money tied up in Russia would have a tough time getting it back out."