

European Central Bank Says Concerns Over West-Russia Tensions Rising

By [The Moscow Times](#)

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FRANKFURT — The European Central Bank said Thursday that concerns have risen about a possible escalation of tensions between Ukraine and Russia which could affect the euro zone via trade, financial links and oil prices.

Russia's annexation of Ukraine's Crimea region in March was met with protests from Western nations, which have imposed visa bans and asset freezes on officials, lawmakers and companies close to President Vladimir Putin.

At the Group of Seven leading industrial nations summit that ended Thursday and was held without Russia, leaders threatened to impose harder-hitting sanctions if Moscow does not help restore stability to eastern Ukraine.

The ECB published its staff macroeconomic projections, drawn up by staff from all euro zone central banks, on Thursday. An article in the publication said hard data for the euro zone

appeared to be largely unaffected by events in Ukraine, but that there was "anecdotal evidence of possibly increased uncertainty related to the crisis".

"Concerns about a possible escalation of the tensions between Ukraine and Russia have increased lately," the ECB said. "The main potential channels of adverse spillovers to the euro area are trade and financial linkages with Russia, rather than with Ukraine."

The euro zone gets about 25 percent of its gas imports from Russia and 30 percent of its oil imports, while some euro zone countries import gas almost exclusively from Russia. Claims on Russia by euro zone banks are equivalent to around 1 percent of euro zone gross domestic product, the ECB said.

The central bank for the 18 countries that use the euro said the economic impact of any escalation in tensions would depend on the type of sanctions imposed by the European Union and the U.S. on Russia and any retaliatory measures by Moscow.

"While the specifics of such sanctions are uncertain, such sanctions could lead to a rise in oil prices, a decline in Russia's exports to the euro area, with adverse effects on activity in Russia, and capital outflows leading to a depreciation of the ruble," the ECB said.

Some euro zone countries might be affected indirectly, for example through any impact from the crisis on Eastern Europe.

"Sectors and industries specifically important to some euro area countries, such as agriculture, food, real estate, tourism and certain banking sectors, might be particularly affected by a prolonged or escalated crisis," the ECB said in the article.

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