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Russia and China Blame Capitalists

By **CARTER DOUGHERTY** and **KATRIN BENNHOLD**

DAVOS, Switzerland — The leaders of the former bastions of the Communist bloc took the stage here on Wednesday to rebuke their capitalist brothers for dragging the world into crisis but also to assure them that, working together, they can rapidly restore the global economy to health.

In the official opening address of the [World Economic Forum](#), Prime Minister [Vladimir V. Putin](#) of [Russia](#) spoke of a financial “perfect storm” that has decimated the old system, rendering it obsolete.

“A year ago, American delegates speaking from this rostrum emphasized the U.S. economy’s fundamental stability and its cloudless prospects,” he said, speaking through a translator. “Today, investment banks, the pride of Wall Street, have virtually ceased to exist.”

But the damage goes beyond Wall Street, he said. “The entire economic growth system, where one regional center prints money without respite and consumes material wealth, while another regional center manufactures inexpensive goods and saves money printed by other governments, has suffered a major setback.”

The Chinese premier, [Wen Jiabao](#), left little doubt that Beijing blamed the United States for the economic breakdown. “Inappropriate macroeconomic policies,” an “unsustainable model of development characterized by prolonged low savings and high consumption,” the “blind pursuit of profit” and “the failure of financial supervision” all contributed, he said.

Like Mr. Putin, he was upbeat about prospects for the future and expressed an eagerness to work with the West on solving common economic problems.

Mr. Wen was eager to assure investors that [China](#) was poised to rebound. “I can give you a definitive answer,” he said of the prospect that his economy would recover strongly. “Yes, it will; we are full of confidence.”

He said that the Chinese government had set a goal of 8 percent growth this year, which he called “an attainable target through hard work.” He reeled off statistics showing that bank lending and investment, after slowing sharply in the fall, picked up in December and January.

“The harsh winter will be gone and spring is around the corner,” Mr. Wen said.

[In his 30-minute speech](#), Mr. Putin portrayed Russia as a reliable partner in energy, trade and politics despite the economic crisis, which has dragged down Russia’s growth rates and drastically reduced its

revenue from oil, a major export. “We can’t afford being isolationist or economically selfish,” he said, adding, “We are all in the same boat.”

As recently as December, Mr. Putin had harsh words for the United States. On Wednesday, he struck a more conciliatory note, saying he would not dwell on who was responsible and talking instead about “mutual interests” and “mutual dependencies.”

“We hope that our partners in Europe, Asia and America — and I’m also addressing the new administration, we wish them well — I hope they will be willing to cooperate constructively,” he said.

Some Russians in attendance here said Moscow’s dependence on Western investors — Russia’s stock market is down more than 70 percent from its peak, for example — might have played a role in Mr. Putin’s adopting a less combative stance.

Mr. Wen admitted that the Chinese were feeling the ill effects of the economic downturn. “We are facing severe challenges, including notably shrinking external demand, overcapacity in some sectors, difficult business conditions for enterprises, rising unemployment in urban areas and greater downward pressure on economic growth,” he said.

Given the outlook for the year, financial experts said, the leaders’ choice of accommodation over recrimination was probably a wise course.

“We cannot underestimate the challenges and dangers that the world economy faces in 2009,” [Stephen S. Roach](#), chairman of Morgan Stanley Asia, said at the forum’s traditional opening debate on the macroeconomic outlook. “It will most likely be the first year since World War II when G.D.P. actually contracts.”

Mr. Roach cast doubt on some of Mr. Wen’s sunny pronouncements about China’s economy and noted that shipments from Taiwan and Japan were also down. “As the Chinese economy has hit a wall, the rest of Asia has followed suit,” he added.

Echoing a widely held view in the global business community, [Heizo Takenaka](#), director of the [Global Security Research Institute](#) at Keio University in Japan, said fear had taken over as the main driver of the crisis.

“The current situation is something more than a financial and economic crisis,” Mr. Takenaka said. “We face a confidence crisis” requiring a strong government and central banks.

The most panicky of all, Mr. Roach said, are American consumers, who are retrenching after a decade-long binge fed by inflated housing prices. He predicted that they were only “20 percent into a multiyear” adjustment that would leave them much more frugal.

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