



2017 *Year in Review*

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OUR MISSION

Our mission is to strengthen US-China relations and to advance sustainable economic growth and environmental protection in both countries.

MESSAGE FROM THE CHAIRMAN

Dear Friends,

As I look back on 2017, I see a year of big transitions—for the United States, China, and for the Paulson Institute. In the United States, President Donald Trump’s first year initiated significant policy changes on U.S.-China trade, investment, and environmental cooperation. In China, the 19th Party Congress brought a new generation of top leadership to push ahead Xi Jinping’s ambitious domestic and international agenda. And at the Paulson Institute, we’ve made significant changes to our workstreams and leadership team.

What did 2017 mean for US-China relations? Importantly, I believe many of the trends we are seeing are the result of fundamental, structural shifts, and are likely to endure. China is a different place than it was just five years ago. It has acquired global reach and capabilities. It is more assertive in its foreign policy and it is acting in its own self-interest in longstanding spheres of U.S. influence.

The United States’ strengths remain unmatched economically and militarily, but its politics over the last decade made it harder to leverage its strengths internationally. Increasingly, Americans and U.S. firms are negative toward China, believing the country is not playing fair.

These trends culminated in 2017 with the U.S.-China relationship entering a new stage of uncertainty. In previous years, positive momentum could be built in the relationship through progress on broad areas of mutual interests, such as climate change, WTO negotiations, or efforts to conclude a Bilateral Investment Treaty. But in its first year, the Trump administration has deliberately narrowed its focus with China to bilateral trade imbalances and North Korea—two issues where breakthroughs may prove elusive. As a result, the coming year will likely be a time of increasing tension.

I continue to believe it is more important than ever to create more opportunities for the U.S. and China to take joint or complementary action on global problems. This is what we do at the Paulson Institute, and I am optimistic that we can continue to build positive momentum through our approach of “Uniting knowledge and Action.”

In 2017, the Institute focused on areas of mutual interest to the U.S. and China, including foreign investment, green finance, conservation, and climate.

Along with our core programs, we launched two important new initiatives: MacroPolo and Green Finance. MacroPolo is a new digital platform for incisive, relevant, and accessible research on China’s political economy and foreign direct investment in the U.S. The Green Finance Program leverages the Institute’s core strengths in sustainability and finance to address the growing need to shape infrastructure and climate investments toward a low-carbon future.

This year also marked an important transition in the Institute’s leadership team. In August, we welcomed Dietmar Grimm as our new president. He succeeds Cynthia Zeltwanger, whose contributions to the Paulson Institute over the last four years have been invaluable. Dietmar came to the Institute after over four years at The Nature Conservancy, where he served in a number of senior roles, including as executive representative of its China program and global managing director of conservation strategy. I am confident that Dietmar is the right leader to build on the strong foundation that our team has developed over the last six years.

It is of paramount importance to work towards a more balanced, more secure, and more productive U.S.-China relationship. This is why I am so pleased with the work that the Paulson Institute has accomplished this year, and why I look forward to advancing our mission in the year ahead. None of this would be possible without the support of our many friends. We thank you and hope you enjoy this Year in Review.

Sincerely,



HENRY M. PAULSON, JR.
CHAIRMAN,
PAULSON INSTITUTE

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A LETTER FROM THE PRESIDENT

Dear Friends,

Like no other time in history, the United States and China are driving the global conversation. From the World Economic Forum in Davos to the United Nations Climate Change Conference COP 23 in Bonn to the Fortune Global Forum in Guangzhou, all eyes are on the changing dialogue and dramatic initiatives in key issues of trade and the environment. Whether it is America First or A Beautiful China or Indo-Pacific Strategy or the Belt and Road Initiative, the world wants to know what this means for them, for their countries, and for a sustainable future. As a result, more and more people are turning to the Paulson Institute for insights into these changes and a hope that, despite macro-level tensions, there can be a healthy relationship between the world's two biggest drivers of change: the United States and China.

To meet this heightened global interest, the Institute is doubling down on its core programs that we believe can advance a positive relationship between the United States and China: Think Tank, Green Finance, Climate and Sustainable Urbanization, CEO Council, and Conservation. As a “Think and Do Tank,” our core strategic approach is to find areas of common interest between the two countries, identify where there are gaps in expertise or implementation, then work with partners, funders, and the government to deliver thought leadership and work on the ground that can bring solutions to scale.

- **Think Tank:** The world is hungry for incisive information on the macroeconomic and political economy to decode China's economic arrival. Led by Vice Chair Evan Feigenbaum, our Think Tank team launched MacroPolo in 2017 as an innovative platform to present in-depth research and new data visualizations to make information accessible on key policy reforms (ReformPedia), Chinese investment in the U.S. (FDI Gateway),

and timely insights (Two Fen) from our cadre of top experts.

- **Green Finance:** As the integration of our core expertise in finance and sustainability, the Institute is bolstering our Green Finance program in 2017 under the leadership of Vice Chair Deborah Lehr. With a focus on greening the Belt and Road through a commitment to green standards and launching China's Carbon Market through supportive macroeconomic policy like establishing a futures market, our team is ensuring the Chinese government has the critical information it needs by convening key experts together with China's Green Finance Committee, and Tsinghua National Institute of Finance.
- **Climate and Sustainable Urbanization:** Focused on reducing the carbon and pollution footprint of China's rapid transition to cities, our CSU program was reminded by this year's Paulson Prize winner that some of the greatest impacts for cities can be in China's rural

“As a “Think and Do Tank” our core strategic approach is to find areas of common interest between the two countries, identify where there are gaps in expertise or implementation, then work with partners, funders, and the government to deliver thought leadership and work on the ground that can bring solutions to scale.”

countryside. Beijing Goldenway Bio-tech is an innovative public-private partnership (PPP) that shows how cities can recycle organic waste into a soil conditioner for rural farmers so they can reduce fertilizer use, reduce runoff, and increase carbon sequestration. Expect more from us in this area in 2018.

- **CEO Council:** Businesses lead the way in showing the benefits of a strong U.S.-China relationship and the global importance of business sustainability. In 2017, our Council focused on putting thought into action on reducing members' greenhouse gas emissions by working together to share best practices across sectors and borders and developing new commitments to low-carbon energy, efficiency, and reduction of waste.
- **Conservation:** We remain deeply committed to our core strategies focused on China's most threatened and biodiverse habitat—wetlands—and the highest-leverage approach to achieve natural resource protection in China: the development of a National Parks Program. Not only are these important for conservation, but because of the U.S.' deep lessons and leadership role in both areas, they are proven models for tightening bilateral relations through government-to-government exchanges, expert workshops,

and research. The results in 2017 include the creation of a nature reserve in Hebei's Luannan, 14 coastal sites added for consideration for World Heritage Status, and an increased interest from the government on market-based mechanisms for financing conservation.

I can't imagine working with a more talented group on what I believe are the most important set of issues facing the planet. We appreciate your support and look forward to working together for our sustainable future.



DIETMAR GRIMM
PRESIDENT,
PAULSON INSTITUTE

PROMOTING U.S.-CHINA RELATIONS

At a time of rising nationalism in both the United States and China, the Paulson Institute is working to promote mutual understanding and deepen economic linkages that bind the countries together.

History in the Making: Through high-level dialogue and public convening, research, and training programs, the Paulson Institute is deepening partnerships with Chinese institutions to solve economic and environmental problems.

2017: A Year at a Glance

The Paulson Institute convened high-level U.S.-China economic and urbanization events, launched a stunning new China research website and a full-fledged Green Finance Program, and drove numerous economic and environmental projects.



Speakers Series with Michael Auslin on Asia's future

- **Speakers Series** with Kaiser Kuo on China's internet
- **Co-commission** with NDRC 11 research projects on creation of China's national park system



- **Paulson Prize** awarded to Beijing Goldenway Bio-Tech (BGB)'s organic waste recycling and farmland quality improvement project in Chengdu
- **CEO Council** Designates meet in Beijing
- **Convene** annual conference on sustainability, featuring U.S. and Chinese experts on the transition to a green economy, with CCIEE
- **Host Conference** on establishment of China's national parks system, with NDRC and Heren Charity Foundation

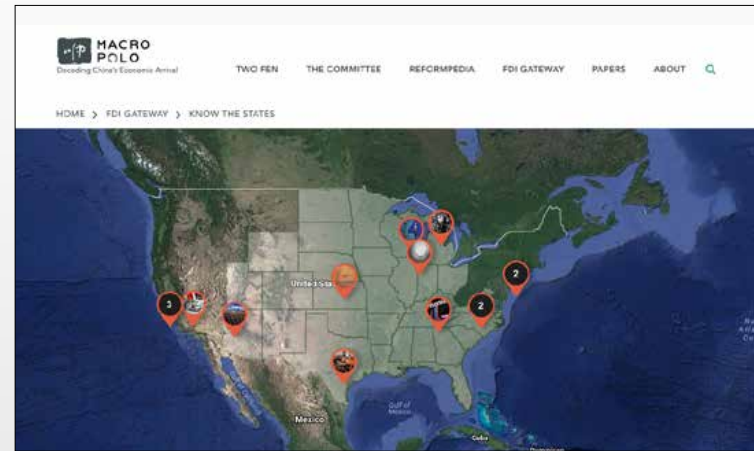
- **Speakers Series** with J. Stapleton Roy on China's role in the global economy
- **Co-host** "Greening the Financial System" roundtable in Washington, DC.
- **Launch** ecosystems services market mechanisms project with NDRC, Chinese Academy of Sciences, and Stanford University
- **Complete** Soy Consortium project that helped Chinese companies work towards zero deforestation soy sourcing



- **Hank Paulson speaks** at Belt and Road Forum in Beijing, urging China to conduct development projects with advanced environmental standards and a high degree of transparency
- City of Beijing agrees to **pilot green building** insurance project inspired by Paulson Institute



- **Sign MOU** with WWF, Hebei Provincial Forestry Department and Luannan County Government to cooperate on establishing and managing Nanpu Coastal Wetland Nature Reserve
- **Kevin Mo speaks** on green building insurance at World Sustainable Built Environment Conference in Hong Kong
- **Launch** MacroPolo reserch and analysis website
- **Convene** national parks training in U.S. for Chinese officials



- **Launch** carbon sequestration project for wetland restoration in Heilongjiang Province, with TNC
- **Convene** training on restoration of degraded wetlands for Heilongjiang wetland professionals

- **Announce** Dietmar Grimm as Paulson Institute President
- Chinese **policymakers visit** San Francisco and New Orleans to learn about how well-protected ecosystems benefit cities
- **Launch** wetlands capacity building projects in Beidagang



- **Convene** CEO Council Factory Energy Efficiency Workshop at Dow offices in Shanghai to share best practices in factory energy efficiency
- **Co-convene** "China Carbon Market Roundtable" on China's carbon market, with Ma Jun in Beijing
- **Co-sponsor** annual China Coastal Wetland Conservation Network meeting in Liaoning.
- **Launch** 5th Paulson Prize for Sustainable Cities

- **Co-convene** "Greening the Financial System" meeting in Washington, DC
- **Speakers Series** with Graham Allison on Thucydides Trap
- **Convene** kick-off meeting of CEO Council Sustainable Cities Advisory Committee in Beijing
- **Launch** "The Green Scene" blog on website with Green Finance section
- **Launch** research on market-based ecological compensation mechanisms—commissioned by the Leading Group for Financial and Economic Affairs
- **Conduct** wetland management training course for Chinese wetlands experts with WWF-Hong Kong at Mai Po Nature Reserve



- **Co-convene** "Roundtable Discussion on Belt and Road and Green Finance" with Ma Jun and others in Beijing
- **Convene** CEO Council Corporate Renewable Energy Procurement Workshop in Beijing
- **Participated** in Belt and Road Initiative Green Development Conference at Columbia University
- **Launch** Environmental Risk Assessment Tool project for China's overseas investments, with MEP/FECO, CBI and California
- **Complete** international case studies on Mainstreaming the Value of Natural Capital into Policy and Finance
- **Launch** wetland restoration projects in Heilongjiang, funded by Heren Charity Foundation

THINK TANK: MAPPING CHINA'S POLITICAL ECONOMY

The Think Tank is the macroeconomics and political economy research and analysis arm of the Paulson Institute. The work is divided into two sets of activities: insights from our own team and publications by outside experts.



Decoding China's Economic Arrival

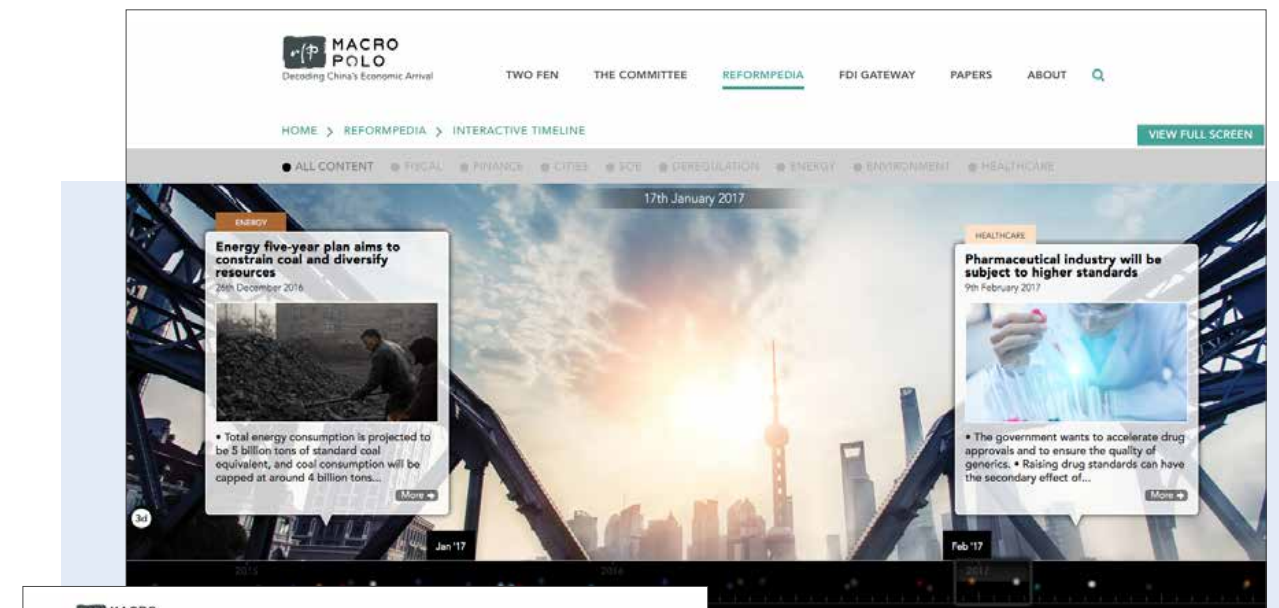
In 2017, the Think Tank team launched an exciting, interactive digital hub for incisive research on China's macroeconomic policies and analysis of linkages between the U.S and Chinese economies.

Our new digital platform, Macro Polo, includes interactive products and detailed analytical assessments of key aspects of China's economic reform agenda, including, developments with finance and state-owned enterprises, fiscal and tax policies, geoeconomics, and trends in China's energy sector. MacroPolo aims to deliver insights useful to audiences as diverse as economic policymakers, businesses, market participants, and both generalists and specialists.

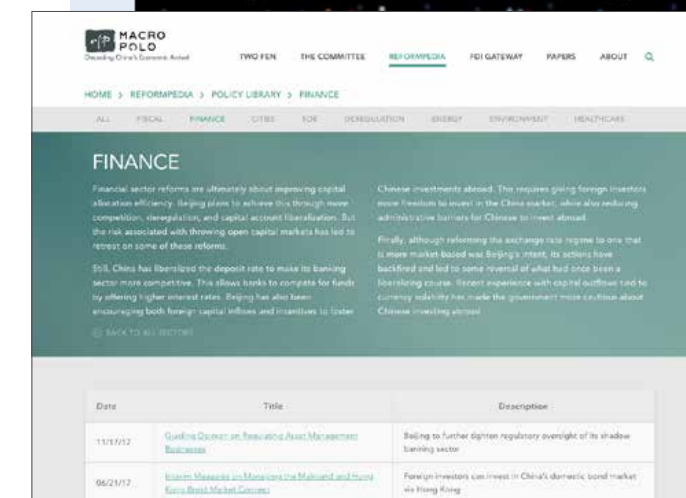


ReformPedia

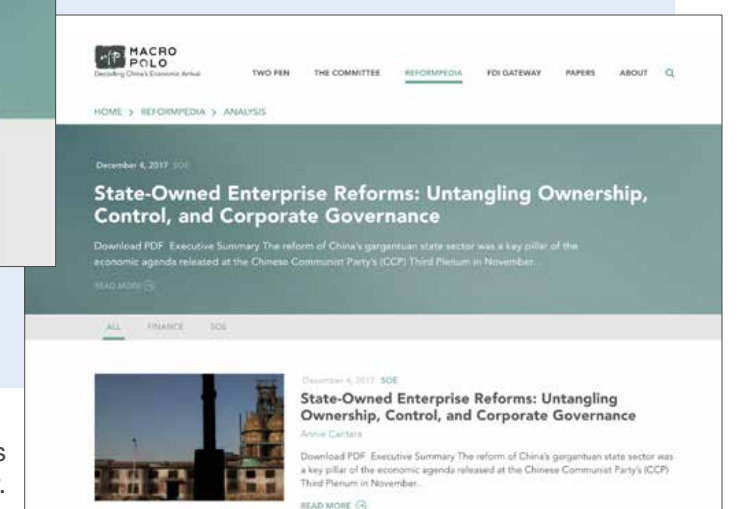
ReformPedia is a one-stop shop that makes sense of all of the key policies and actions Beijing has pursued in conjunction with its 2013 economic reform commitments. The product provides a single window to assess the state of China's reforms—and insights on where President Xi Jinping's second term is headed—through eight interactive timelines, a comprehensive library of original policy documents, and analysis from our team.



Timeline: From 2013 to the present, we note the significant policy steps in fiscal, finance, cities, SOEs, deregulation, energy, environment, and healthcare sectors.



Policy Library: Fiscal, Finance, Cities, SOE, Deregulation, Energy, Environment, Healthcare



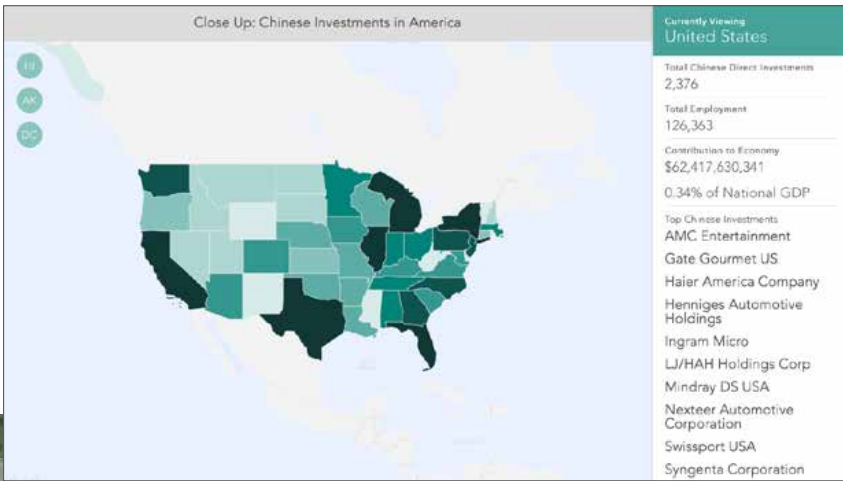
Analysis: We present in-depth analysis of issues and challenges in each sector.

FDI Gateway

The FDI Gateway, a free knowledge hub, aims to help U.S. communities and companies and would-be Chinese investors solve discovery and first-level diligence challenges. The Gateway has three dynamic components:

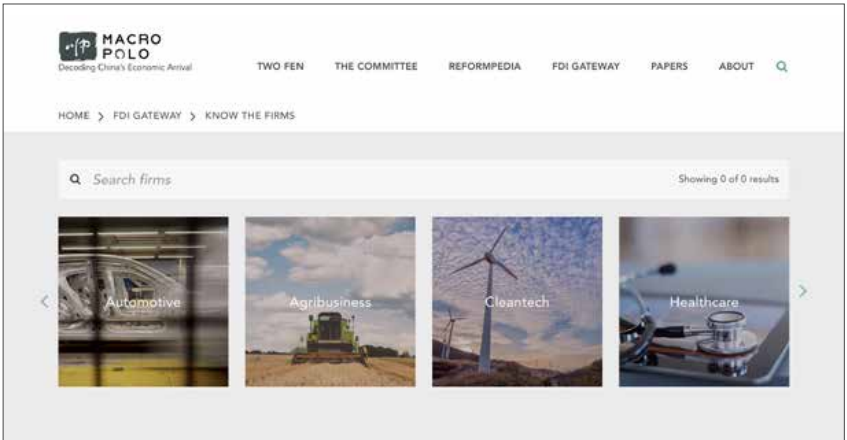
Know the Numbers

Based on a unique data set and built around an interactive heat map, MacroPolo’s “Know the Numbers” tool gives a detailed current snapshot of every single entity in the United States that is majority-owned by Chinese companies or investors.



Know the States

Directed at Chinese firms, “Know the States” helps investors tell Illinois from Wisconsin through a simple “fact sheet,” including information about a state’s economic health, key industrial strengths, labor conditions, general business costs, and experiences as a recipient of foreign investment—all easily accessible through interactive maps.

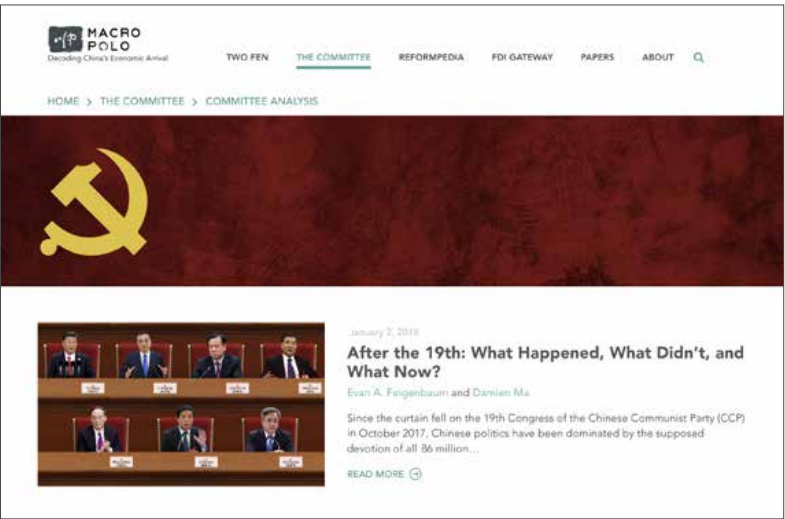


Know the Firms

Directed at Americans, this unique database of actual and prospective Chinese investors aims to help solve the initial “discovery” problem for U.S. states and firms by narrowing the range of opportunities and facilitating a more targeted approach.

The Committee

This interactive product unpacked what was perhaps the most important political event of 2017: China’s leadership transition. Our readers voted on who they thought would come out ahead after the 19th Communist Party Congress. And the MacroPolo team analyzed various scenarios, governing norms, from “hard” to “soft,” in China’s Leninist political system. The product now includes basic biographies of China’s few hundred top leaders.



Thinkers in Action: Vice Chair Evan Feigenbaum, right, and Senior Fellow Damien Ma, left, lead the Institute’s political economy and investment-related programs. They spearheaded the development of the new MacroPolo initiative together with a team of China experts, who produce original research, reporting, and analysis on current Chinese economic developments.

Two Fen

Our MacroPolo blog, Two Fen (“two cents” in Chinese), features insightful commentary and timely writing from our in-house experts. We aim to parse signal from noise in debates about China’s political economy.



Featured Articles

Politics

- *Why the 19th Communist Party Congress Will Lay the Groundwork for Economic Reforms*
- *After the 19th: What Happened, What Didn't, and What Now?*
- *The Big Bet at the Heart of Xi Jinping's "New Deal"*

Economy

- *Why Chinese Local Governments Are Issuing So Few Bonds*
- *Winter is Coming for Chinese Mega Deals, But Chinese FDI Isn't Going Away*
- *Silicon Valley's China Paradox*

Energy

- *Peak Coal in China?*
- *Beijing Doubles Down on Natural Gas*
- *Time to Rethink Chinese Oil Demand?*
- *Full Steam Ahead on China's Nuclear Power Ambitions*

State-Owned Enterprise Reforms

- *Untangling Ownership, Control, and Corporate Governance*

Papers

The Think Tank commissions, hones, and publishes outstanding prescriptive and analytical work from leading scholars and practitioners.



INVESTMENT CASE STUDY
How China's Largest TV Maker Invested in Georgia to Globalize its Brand



PAULSON POLICY MEMORANDUM
How Farmland Mortgages Could Stimulate Rural Entrepreneurship in China



PAULSON POLICY MEMORANDUM
Meeting China's Food Safety Challenge



PAULSON POLICY MEMORANDUM
Tackling Moral Hazard in China's Financial System



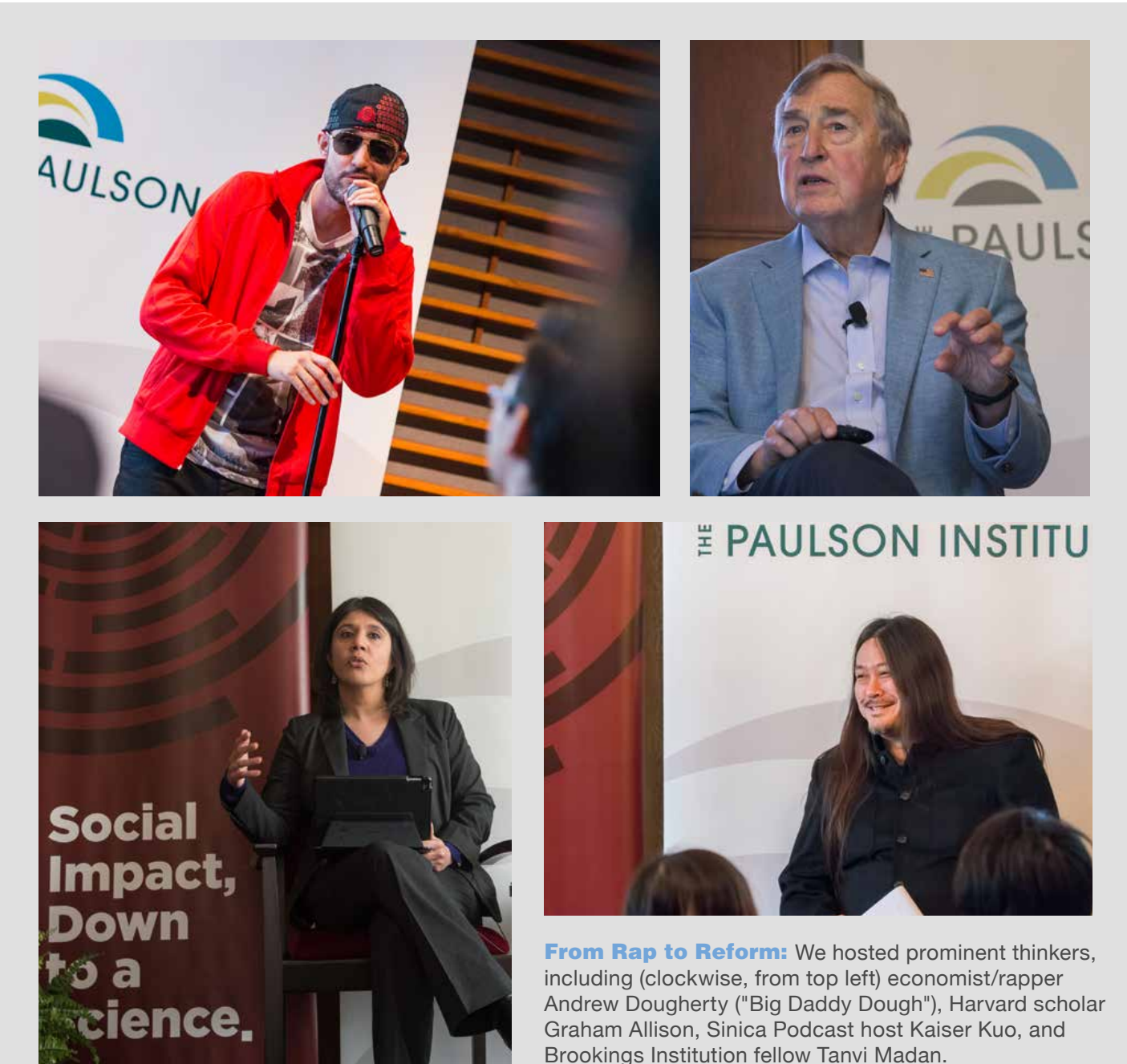
PAULSON POLICY MEMORANDUM
Beyond Hukou Reform: Enhancing Human-Centered Urbanization in China



PAULSON POLICY MEMORANDUM
Flying High and Flying Blind: How One Chinese Buyout of a U.S. Aviation Firm Soared While Another Crashed

Contemporary China Speakers Series

In a monthly series of lectures at the University of Chicago, the think tank brings leading experts from academia, government, journalism, and the arts to campus to discuss social, political, and economic developments in China—from China’s internet to economic reforms to the future of the U.S.-China relationship. This popular series is available to the public through videos on YouTube.



From Rap to Reform: We hosted prominent thinkers, including (clockwise, from top left) economist/rapper Andrew Dougherty ("Big Daddy Dough"), Harvard scholar Graham Allison, Sinica Podcast host Kaiser Kuo, and Brookings Institution fellow Tanvi Madan.



GREENING THE FINANCIAL SYSTEM

Green Finance became an official Institute program in 2017, but the work has been building since the launch of U.S.-China Green fund in 2015, and grew further in 2016, when the topic was included in the G20 agenda during China's leadership. The development of green finance is a priority for China and one that aligns with our mission.

Leadership in Action: Chinese Central Bank Governor Zhou Xiaochuan and Paulson Institute Chairman Henry M. Paulson Jr. are convening top-level discussions around using financial markets to drive sustainable business projects.

Green Finance: Unleashing Capital for Growth

China is becoming the global testing ground for innovative concepts in green finance. We are helping China to ensure that its agenda is achieved in a fair and transparent manner.



The Chinese government estimates that it will cost between \$600 billion to \$1 trillion annually through at least 2020 to achieve its goals for a green economy, but the government is only capable of covering up to 15% of those costs.

China is becoming the global testing ground for innovative green finance concepts that could drive standards and practices for the rest of the world. The Paulson Institute has served as an advisor to the G20 Green Finance study group established by China and works closely with China's financial institutions in developing innovative financing models to promote green growth.

Through convening, advocacy, and thought leadership, the Paulson Institute is dedicated to moving green finance from philanthropy to the mainstream of investing principles and working to encourage robust international green financial markets.



Change Agent: Institute Vice Chairman Deborah Lehr leads a dialogue among international financiers in Washington, DC. Above, windfarm in Zhangjiakou.

Advancing the Debate

To help China develop a roadmap for high quality innovative financing for green projects, the Paulson Institute brings together experts to work on developing standards, increasing transparency, and agreeing on definitions of green projects. Working with the People's Bank of China, the Green Finance Committee, UNEP, SIFMA, the Institute of International Finance, and other partners, the Institute is helping to develop policies that will drive a vibrant international green finance market. To do that, we convened a number of symposia:



Thought Leader: The Institute has worked closely with former PBOC chief economist Ma Jun to drive green finance initiatives in China.



April 2017 · WASHINGTON, DC

Greening the Financial System:

Enhancing Competitiveness Through Economic Development

The Paulson Institute co-hosted, together with the United Nations Environment Programme (UNEP), the Securities Industry and Financial Markets Association (SIFMA), the Institute of International Finance (IFF), the European Banking Federation (EBF), and Bloomberg Philanthropies, the fifth meeting in the Greening the Financial System series.



September 2017 · BEIJING

International Green Finance Forum

The Green Finance Committee of China hosted the 2nd international forum to announce the deliverables from the 2017 G20 meeting in Hamburg, which attracted 200 international participants. The Paulson Institute was a co-supporter of the daylong event, where the Chinese government rolled out how it would “export” its concepts of green finance. The U.S.-China Green Fund was also featured.



October 2017 · WASHINGTON, DC

Greening the Financial System:

Exploring the Ways Forward

The Paulson Institute co-convened a high-level roundtable with the United Nations Energy Programme (UNEP), Securities Industry and Financial Markets Association (SIFMA), Bloomberg Philanthropies, the Institute of International Finance, and the European Banking Federation (EBF).



Putting a Price on Carbon

China’s national carbon market, launched in late 2017, is now the largest carbon trading system in the world. But China must overcome significant challenges, from inadequate data collection to enforcement and the development of the necessary financial infrastructure for it to reach its true potential. The Paulson Institute is supporting the Chinese government’s efforts in testing out

various financial instruments as well as making the necessary structural changes by offering expertise, providing thought leadership, and testing new concepts.

Thinking Green: Ahead of China's national emissions trading market launch in December 2017, the Institute hosted expert roundtables on carbon markets.

Green Finance Series



September 2017 · BEIJING

The Paulson Institute, in partnership with the Green Finance Committee (GFC), brought together experts to explore the challenges for China’s national carbon exchange. GFC Chairman Ma Jun and Paulson Institute Vice Chairman Deborah Lehr led a discussion to identify key issues, such as the need for capacity building, why China needs to collect reliable and relevant information, as well as the importance of establishing a legal infrastructure. A paper with recommendations was submitted to the Chinese government based on these discussions.



October 2017 · BEIJING

The Paulson Institute and the Center for Finance and Development of Tsinghua University National Institute of Financial Research co-hosted a roundtable discussion on Belt & Road and Green Finance, which was one of a series of roundtable discussions on green finance attended by over 30 senior officials and experts. The roundtable was focused on how to improve the “greenness” of investment in the Belt & Road Initiative, and how to mobilize international capital to invest in the Belt & Road regions.

U.S.-China Green Fund

The U.S.-China Green Fund, a public-private partnership launched in 2015 with the support of the Paulson Institute, aims to provide financing to bring U.S. technologies to bear in the fight against pollution in China.

The Fund also serves as a model for funding crucial clean-tech investment. The Paulson Institute serves as a non-commercial advisor to the Fund.

THE FUND: BY THE NUMBERS

\$3.07BILLION

in size

5

U.S. Partners in Fortune 100

\$25MILLION

in sales of U.S. products

Resources and Thought Leadership

To contribute to the greater understanding of green finance and sustainable development, the Paulson Institute provides detailed analysis, a bi-monthly newsletter on the topic and is a resource for major developments on green finance in China.





Celebrating Sustainability Leaders

The 2017 Paulson Prize winner is recycling food waste from cities and improving rural soil health.

The fourth Paulson Prize for Sustainable Cities went to Beijing Goldenway Bio-tech (BGB) company's organic waste recycling and farmland quality improvement project, located in Chengdu. The prize, established in 2013, is awarded annually to a project in China that represents a best practice in sustainable urbanization that will help advance China's transition to a more sustainable economy. By highlighting outstanding projects, the Prize aims

to inspire the spread of environmental and economic solutions that will help China achieve ambitious climate, air quality, and economic growth goals as it urbanizes rapidly.

Rising Incomes: After application of BGB soil treatments, prices for mandarins in Pujiang County soared, boosting profits. Here, BGB founder Yu Jiayi, front right, leads judges on tour of a Pujiang farm.



The 2017 winning project, a partnership between BGB and the local government, collects urban food waste and processes it into a soil conditioner product. The company provides data, training, and certification to farmers in Chengdu's Pujiang County to help improve soil quality. The project helps reduce excessive fertilizer use, which contributes to soil and water pollution. An industrial gas recycling project in Shandong and a reforestation project in Inner Mongolia were strong runners up.

Economic Solutions: Paulson Institute Chairman Henry M. Paulson, Jr., presented the award to Chengdu Vice Mayor Liu Liedong at a ceremony held in Beijing. Above, judges visit a finalist site.

Previous Prize Winners



2016 Prize Winner: Anheng Group's Sustainable City Water Supply Network Leakage Control Solution stands out for its use of cloud and big data technology to solve a common problem worldwide: urban water supply leakage. In China, where the annual water deficit is over 50 billion cubic meters and the average urban water supply leakage rate is 15%, water waste is a growing social and economic concern. The payback period for the technology is only 18 months.



2015 Prize Winner: Shenzhen International Low-Carbon City Project stands out from other urban projects in China because its planners took into careful consideration the people living in the district as they planned its rejuvenation. Instead of tearing down existing buildings and moving residents out to build new towers, the project made key investments to upgrade buildings and old factories, while improving the environment (such as cleaning up the local river).



2014 Prize Winner: Nanhu Country Village project in Jiaxing, Zhejiang, is exceptional because it is a model for the development of environmentally friendly and economically vibrant suburbs in China. The project not only is providing high-quality, energy-efficient housing for the residents, and also has introduced a new model for Chinese agriculture, driven by modern, professional farmers.





Thought Leadership on Sustainable Cities

The 2017 Paulson Institute and CCIEE annual conference on sustainability focused on Green Transformation: From Commitment to Action, with four sessions in U.S.-China business cooperation, regional strategy, market mechanisms, and natural capital in cities.



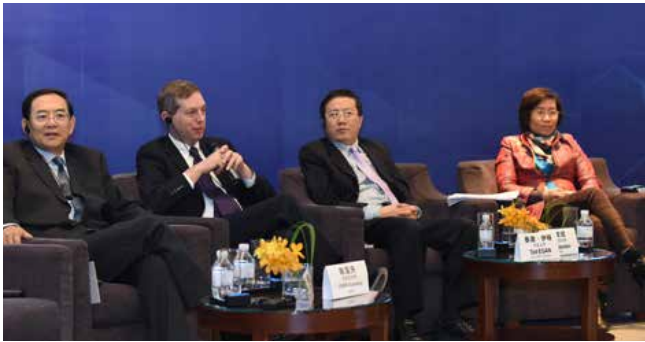
U.S.-China Relations in the New Era
The need for private sector cooperation between the two countries to fight climate change is greater than ever. In this panel discussion, leaders of major American and Chinese companies explored how businesses can continue to drive sustainable development, even as the relationship between the two countries becomes more complex.

Green Champion: Xie Zhenhua, China’s Special Representative on Climate Change Affairs, was a keynote speaker at the Annual Conference.

Overcoming Roadblocks to Regional Growth
Administrative boundaries and local politics often prevent cities from cooperating to create economically integrated urban areas. San Francisco Bay Area and Jing-Jin-Ji experts discussed how to promote regional innovation and create new models for sustainable regional development.

Valuing Nature's Role
City planners often struggle to integrate nature into urbanization plans. But when properly valued, nature is an important asset that can bring cities considerable long-term economic and social benefit. Experts discussed how China’s cities can become models of more balanced development.

Creating a Market for Green Growth
China’s leaders have stressed that the country cannot meet its climate commitments purely through government spending. Making low-carbon development profitable is essential to enabling a large-scale green transformation. Experts discussed China's plans for promoting carbon markets and green industries.



Leveraging the Insurance Industry to Build Green

Paulson Institute develops an innovative market-based framework to scale green buildings, supported by the Bloomberg Philanthropies

MOU signed with People’s Insurance Company of China

City of Beijing agrees to pilot the green building insurance

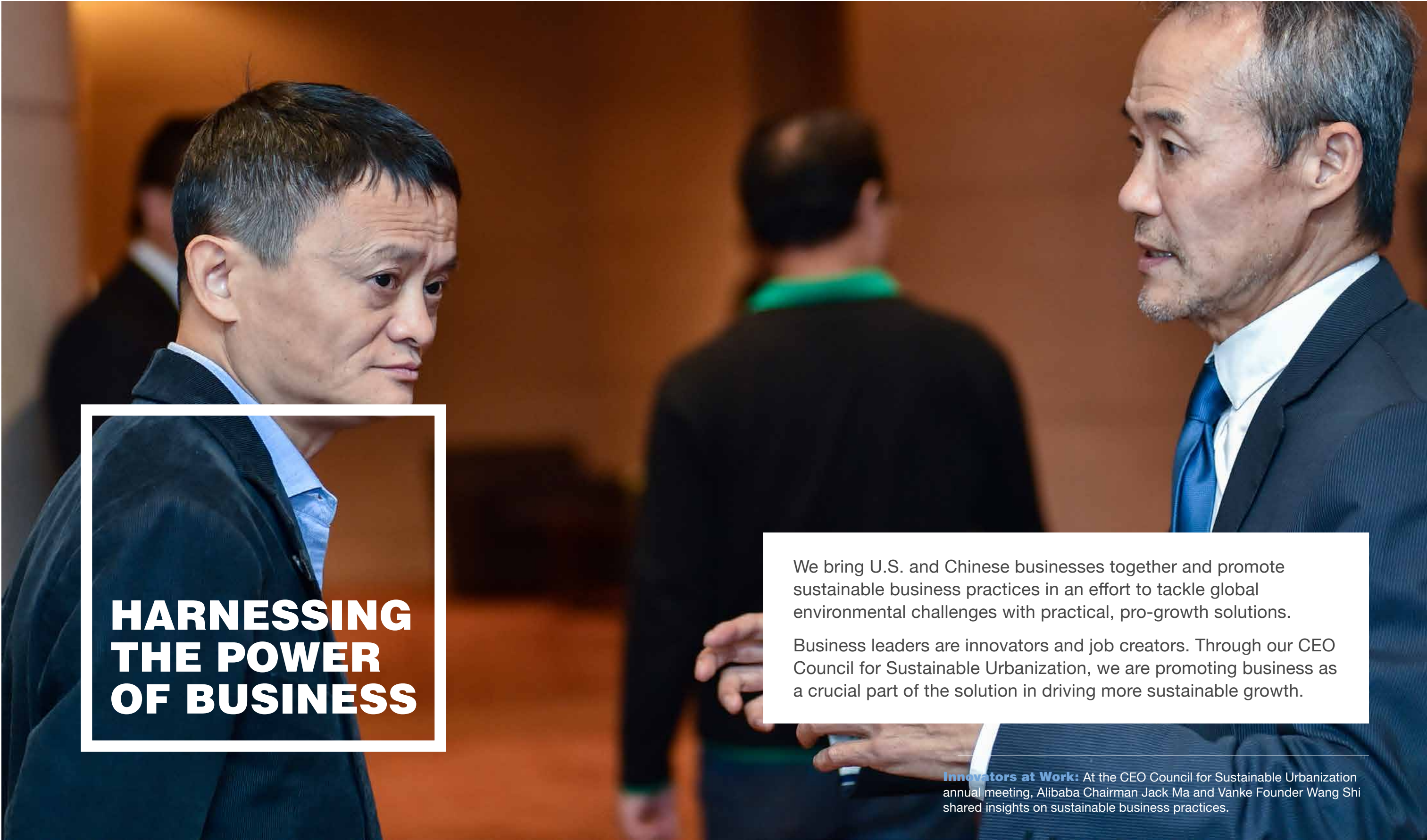
The Global Environment Facility/World Bank makes a grant to support Beijing’s work with Paulson Institute

JUNE 2016

MAR 2017

MAY 2017

NOV 2017



**HARNESSING
THE POWER
OF BUSINESS**

We bring U.S. and Chinese businesses together and promote sustainable business practices in an effort to tackle global environmental challenges with practical, pro-growth solutions.

Business leaders are innovators and job creators. Through our CEO Council for Sustainable Urbanization, we are promoting business as a crucial part of the solution in driving more sustainable growth.

Innovators at Work: At the CEO Council for Sustainable Urbanization annual meeting, Alibaba Chairman Jack Ma and Vanke Founder Wang Shi shared insights on sustainable business practices.

CEO Council: In Action



Making Progress: At the CEO Council designates meeting in March, Hank Paulson (1) encouraged members to continue to work together in strengthening U.S.-China relations; Institute China Government Affairs Director Dong Yongji (2) spoke on a panel about U.S.-China relations’ impact on companies. Council representatives, including Dow Chemical’s Johnston Zhang (3), gathered at Dow’s Shanghai offices to share best practices at a workshop on factory energy efficiency. Also at the Council meeting, KPMG’s David Frey, IBM Global Energy Managing Director Brad Gammons, (5), Merisha Enoe of the Apple team, and Institute senior advisor Kate Gordon (6) discussed greenhouse gas management around the world.

Launching a Model Sustainable Development Zone

The Council has partnered with the Guangzhou Municipal Government to develop plans for a “U.S.-China Sustainable Pilot Zone” in Nansha district, China’s newest Free Trade Zone. The Pilot Zone will advance collaborative efforts between U.S. and Chinese companies and showcase the world’s most advanced green technologies and practices. A new advisory committee will review sustainable development sites that apply to be Council projects. The Council’s Sustainable Urban Planning Principles will offer guidelines for these projects—and for sustainable urbanization development throughout China.



Visions of the Future: During an Institute site visit to Nansha, local Development and Reform Bureau Director General Zhang Jiamao shares plans with Institute Chief Beijing Representative Jerry Yu and others.

COMING SOON!

RaceToZero

Race to Reduce Greenhouse Gas Emissions and Waste

In March, the CEO Council will launch a public campaign, called Race to Zero, which will call on U.S. and Chinese companies to join our CEO Council members in making new commitments to reduce greenhouse gas emissions and waste. The strongest global competitors stay ahead of the competition by investing in cutting-edge technologies and strategies that mitigate risks and seize the opportunities of a low-carbon economy. To help drive and accelerate this process, we are partnering with American and Chinese corporate sustainability experts to help companies implement and track their commitments. Stay tuned!



PROTECTING NATURAL CAPITAL

Following decades of breathtaking economic success, China has embarked on a new growth path encapsulated in its vision of an “Ecological Civilization”: integrating protection of natural capital into its economic development.

Toward that goal, our Conservation Program is working with the Chinese government and other partners to protect China’s natural capital, ecosystems that provide vital ecological goods and services to the survival and prosperity of mankind. We are supporting the establishment of China’s national park system and working to protect the country’s critically endangered coastal wetlands.

Power of Nature: Wetlands like this one provide crucial services such as purification of water and protection against storm surges.

China's Big Idea:

Creating a national park system to serve nature and the public



China's national parks initiative embodies the country's aspiration to balance the use and protection of its immense natural heritage. The Paulson Institute is proud to be a key partner in China's effort to create a comprehensive national park system, which will deliver sustainable solutions that benefit both nature and people.

Partnering with the National Development and Reform Commission and the Heren Charity Foundation, we are helping to develop guidelines and best practices for the establishment of the national park system. In 2017, we convened a training course for Chinese officials in the United States with a primary focus on how U.S. national parks are managed and operated. We also completed 12 research reports on national parks, co-commissioned with the NDRC and Heren

Charity Foundation. In addition, the Institute hosted an international workshop on national parks in Beijing to help build consensus on the key issues around creating a national park system.

Visionary Thinking: China's many parks and nature reserves, from wetlands to forests and marine areas, are all overseen by different government bodies. With 10 designated pilot parks scheduled to come into operation in 2020, Beijing hopes to streamline management.



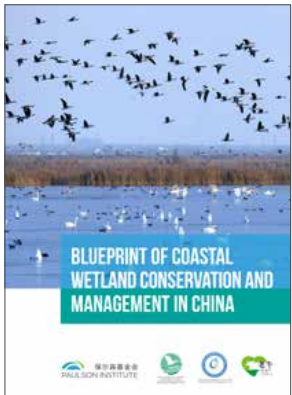
Unlocking the Value of Natural Capital

How ecosystem services can improve livelihoods

Despite its life-sustaining importance, nature is too often undervalued and under-protected. But today's leading thinkers view nature's services—from providing food and raw materials to purifying water and regulating climate—as a form of "natural capital" with crucial economic value to be accounted for in government socio-economic planning and market opportunities. China's government is creating stronger policy incentives and providing more funds to protect its natural capital. But the funding gap remains large and challenges daunting. To help bring more resources to conserving precious ecosystems, the Paulson Institute is partnering with China's National Development and Reform Commission and the Research Center for Eco-Environmental Sciences at Chinese Academy of Sciences, to explore and develop a variety of mechanisms for realizing the values of ecological products and services.

By exploring market-based approaches and ways of tapping into the potential of philanthropy, we hope to help local communities derive a rewarding, non-extractive livelihood from their well-preserved natural environments. In 2017, we organized a two-week training for Chinese officials at Stanford University to help deepen their understanding of how to mainstream the values of natural capital into policy and finance. We have also compiled an international case study report showcasing how the values of ecosystem services are recognized in practice across the world.

Natural Leaders: (Clockwise from top left) Twilight at Grand Canyon National Park; Great Teton National Park superintendent David Vela speaks to the leadership training delegation; geysers at Yellowstone National Park; delegates graduate from the training program at Grand Canyon National Park.



In 2017, our wetlands work focused on several critically threatened areas listed in our 2016 Coastal Wetlands Blueprint Project as key, but as yet unprotected habitats for migratory water birds. In Hebei’s Luannan, we worked with the Forestry Department, Luannan County Government, and WWF to create a nature reserve for migratory water birds and coastal wetland ecosystems. We also launched a project to build capacity and monitor migratory birds in Tianjin’s Beidagang with Beidagang Wetland Management Center and Beijing Normal University.

In Heilongjiang, the Institute launched wetland management and restoration projects, including capacity building, research on institutional and legal frameworks, and wetland vegetation restoration. We also partnered with The Nature Conservancy on a carbon sequestration project for wetland restoration. Our wetlands projects are generously funded by Heren Charity Foundation and Lao Niu Foundation.

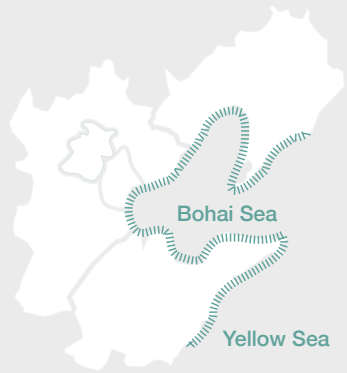
Birds Welcome Here: With Shenzhen’s cityscape in the background, this restored fishpond, one of the Shenzhen Mangrove Wetland Conservation Foundation’s projects, now provides refuge and sustenance for endangered shorebirds.

Conservation, Restoration, and Training

Partnering with the government to save wetlands in Hebei, Jiangsu and Liaoning

China’s coastal wetlands, which provide food and rest for millions of migratory birds, have shrunk more than 60 percent since the 1950s due to industrial and agricultural development. As many as 27 species of waterbirds that frequent the East Asian-Australasian Flyway are now threatened with extinction as a result. We are working to protect what remains.

GOOD NEWS: STEPS TO PROTECT COASTAL WETLANDS



2017 saw some progress for the protection of China’s critically endangered coastal wetlands. In an important step towards the future protection of waterbirds and their crucial feeding grounds, China added 14 key coastal sites along the Yellow and Bohai Seas to a tentative list of sites to be considered for World Heritage status. If the sites are formally nominated and then inscribed as World Heritage Sites, the critically threatened birds will have a much better chance of survival. The Paulson Institute’s Coastal Wetlands Blueprint Project, completed in 2016, was an important factor in the decision, as the blueprint provided the first-ever comprehensive report on the wetlands’ biodiversity and critical status.

Conservation in Action

Wetland Conservation Network: At the annual conference and training workshop of China's Coastal Wetland Conservation Network in September, more than 150 wetland management professionals from 11 coastal provinces exchanged their experiences and lessons in wetland restoration and protection. Rose Niu, (middle left) Paulson Institute chief conservation officer, spoke at the conference.

Jiangsu's Rudong and Dongtai: Hank and Wendy Paulson, bottom left, visited Rudong and Dongtai wetlands in Jiangsu and met with then Party Secretary of Jiangsu province Li Qiang and Yancheng City's Party Secretary Wang Rongping to discuss the actions needed to stop reclamation of the important coastal wetlands and enhance overall conservation.

Maipo Training: A wetland management training course was delivered in cooperation with WWF-Hong Kong at H.K.'s Mai Po Nature Reserve for 14 coastal wetland management professionals from several of the Institute's priority sites.



Global Citizenship

A new risk assessment tool will help reduce China's international environmental footprint

In response to concerns about China's overseas investments in environmentally sensitive regions, China has issued a series of environmental guidelines to help improve its investors' environmental performance overseas. The policy signal is clear, but the tools at the disposal of Chinese investors are few and far between. Against this background, the Paulson Institute has initiated a new project with the Foreign Economic Cooperation Office (FECO) under the Chinese Ministry of Environmental Protection and special assistance from the California Strategic Growth Council to jointly develop a spatial analysis-based tool to quickly assess the environmental risks of proposed investment projects. Through our partnership with FECO, we hope this tool will be adopted by a range of Chinese agencies overseeing overseas investment, financial institutions, and investors. The aim is to filter out the most environmentally risky projects, thus helping

reduce the overall environmental impact of China's overseas investment.



Purchasing Power: China's vast imports can affect practices in places as far away as the Amazon, above, where farming and logging practices are destroying the rainforest. The Paulson Institute has worked with Chinese soy importers to prevent further deforestation in Brazil, where farming and logging, below, threaten the rainforest.

OUR TEAM

Our diverse, multicultural staff brings deep know-how and commitment to our work through experience at the highest levels of business, government, conservation, policy and research, and media. From welcoming new President Dietmar Grimm at an offsite meeting outside Beijing to riding bikes with Hank Paulson and Beijing Chief Representative Jerry Yu and a boat ride in Chicago to celebrate outgoing Executive Director Cynthia Zeltwanger, we work across the world as a team. We look forward to the future with a commitment to contributing to positive change in everything we do.





The Paulson Institute is still a relatively young organization, and yet we are steeped in the deep U.S. and China experience of our founder and colleagues. From that experience comes the recognition that we take government actions with a hefty grain of salt, yet with the hope of an optimist. We often look to the United States for its rich experiences in sustainability and development, and also know that they can be applied and at times improved upon through “中国特色,” or “Chinese characteristics.”

In 2018, we will be deepening our relationships with U.S. and Chinese governments, with philanthropists who share our vision, and with NGOs working on these core issues, with the goal of long-term partnership. As a “Think and Do Tank” we’ll continue to make significant advances on the ground, whether through carbon market policy, developing new financial models for China’s protected areas, shaping the global conversation on U.S.-China trade, or reducing fertilizer runoff on the banks of the Yangtze river. Follow our work at paulsoninstitute.org.

About Us

The Paulson Institute is a non-partisan, non-profit “think and do” tank grounded in the principle that today’s most pressing economic and environmental challenges can be solved only if the United States and China—the world’s largest economies, energy consumers, and emitters of carbon—work in complementary ways.

A new approach: We believe that sustainable economic growth is only possible with a healthy natural environment, and we seek economic solutions for environmental challenges. We often work at the intersection of economics and the environment, as well as on important macroeconomic issues.

Our programs—the “Do” side—focus on advancing the transition to more sustainable, low-carbon economic models in China and the United States through industrial transformation, smart urbanization programs, and environmental conservation. In so doing, we aim to advance industrial and nature-based solutions to climate change. We also promote bilateral cross-border investment that will help create jobs and strengthen U.S.-China relations.

Our Think Tank publishes insights by our own team and prescriptive and analytical papers from leading scholars and practitioners on the most important macroeconomic and structural reform issues facing China today.

Founded in 2011 by Henry M. Paulson, Jr., the 74th Secretary of the Treasury and former Chief Executive Officer of Goldman Sachs, the Institute is based in Chicago and has offices in Washington, and Beijing.

Back Cover:
Thinking and Doing: Our team is guided by the Institute's core values.

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