



THE US AND ITS PARTNERS MUST PUT PRIVATE CAPITAL BEHIND PACIFIC ISLAND PRIORITIES

BY KIMBERLY LEHN

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Palau's hosting of the 55th Pacific Islands Forum Leaders Meeting last week was bound to attract geopolitical attention. China objected to Taiwan's participation, several Pacific leaders were absent at the last minute, and all but one of the leaders present [backed concerns](#) about China's recent ballistic missile test in the Pacific.

These developments demonstrate China's willingness to pressure sovereign states over their foreign-policy choices but also show that small nations are prepared to defend their sovereignty, press issues of regional concern, and resist attempts to dictate the Forum's agenda.

Beyond the headlines, however, Palau raised an even more consequential question: Who is prepared to invest—at scale and over time—in Pacific leaders' priorities?

Opening the Forum under the theme “Building Economies: Life. Action. Unity,” President Surangel Whipps Jr. [called on leaders](#) to make Palau the place where the Forum “renewed its purpose,” put Pacific priorities first, connected ocean stewardship with economic prosperity, and ensured that partnerships followed a course set by the Pacific.

The Pacific has already charted that course. In 2022, regional leaders adopted the [2050 Strategy for the Blue Pacific Continent](#), establishing a common framework across seven interconnected areas: political leadership and regionalism; people-centered development; peace and security; resource and economic development; climate change and disasters; ocean and environment; and technology and connectivity.

Its practical priorities include reliable air and maritime transportation, stronger fisheries industries, digital connectivity, access to finance, improved healthcare, workforce development, resilient energy systems, and greater participation in regional supply chains.

The region does not lack strategies or renewed efforts to attract investment. The challenge is translating those priorities and emerging initiatives into a sustained pipeline of commercially viable projects backed by government financing and private capital.

The United States and Australia arrived in Palau with substantial commitments. Together, they announced approximately [\\$580 million](#) in support for Pacific Island countries. Australia committed US\$430 million—primarily for maritime security, aerial surveillance, law-enforcement cooperation, and efforts to combat transnational drug trafficking. The US Department of State announced \$150 million, including \$60 million to strengthen energy security and help Pacific countries manage rising fuel costs and supply disruptions.

The [US Trade and Development Agency](#) also announced approved funding for technical assistance for the modernization of nationwide mobile networks, port and airport modernization in the Republic of the Marshall Islands, and feasibility studies in Tonga for fuel supply and data center infrastructure.

China's [\\$1.08 million contribution](#) to the Pacific Islands Forum Secretariat in July was much smaller and not directly comparable. Beijing's advantage, however, does not rest on any single announcement, but in the cumulative reach of its infrastructure projects, commercial investments, construction companies, financing relationships, and ability to operate across several sectors at once.

At the Forum, China highlighted 10 recently completed [infrastructure projects](#), including a medical center in Solomon Islands, a convention center in the Federated States of Micronesia, and a power-grid project in Papua New Guinea. Road, transportation, and public-facility projects are also underway in Fiji, Kiribati, Nauru, and Vanuatu.

Beijing is simultaneously advancing renewable-energy projects, medical deployments, trade agreements, and a proposed China-Pacific Island Countries Blue Partnership covering aquaculture, marine conservation, renewable energy, and other ocean industries.

China's advantage is that Beijing can translate sustained engagement into an economic and commercial presence that is visible and felt within local communities.

President Whips has repeatedly pointed to this gap. At the [Honolulu Defense Forum](#) in January, he explained that although the United States remains Palau's most important bilateral partner and invests substantially in its security, infrastructure, healthcare, and education, China is Palau's largest source of private-sector investment, particularly in tourism and hotels. That is a strategic and economic disconnect.

Where to commit

Government assistance is necessary, particularly in small and geographically dispersed markets where many projects will not initially produce conventional commercial returns. American and allied private capital must now scale in ways that create demonstrable improvements in the daily lives of Pacific Island citizens.

Tourism is one place to begin. American, Japanese, Australian, South Korean, Taiwanese, and other allied hotel companies should compete for the properties reshaping Pacific tourism markets. Political-risk insurance, loan guarantees, blended finance, and other tools from the US International Development Finance Corporation could help offset the risks associated with small markets, high construction costs, and limited access to conventional financing. The objective should not be indiscriminate mass tourism, but the lower-impact, higher-value tourism sought by leaders such as President Whips—which creates local employment, respects Pacific cultures, protects the environment, and produces greater economic benefits for host communities.

Energy is another immediate opportunity. Pacific countries need solar-plus-storage microgrids, stronger fuel reserves, more resilient electricity networks, and alternatives to dependence on imported fuel. The US announcement this week will certainly support this. Allied developers and private companies should continue to compete with Chinese-linked offers and projects must be financed and constructed at an island-appropriate scale.

The DFC, Japan Bank for International Cooperation, Australian financing institutions, and regional development banks are already serious players in this space and could further aggregate smaller national and community-level projects into investable regional portfolios. Bundling projects would lower transaction costs, spread risk, and make relatively small Pacific markets more attractive to institutional investors and experienced developers.

Telecommunications and digital infrastructure require a similar approach. Subsea cables, data centers, cloud services, satellite connectivity, and mobile-network upgrades entail substantial initial investment and long repayment periods. US and allied governments should provide financing, guarantees, and technical support for trusted-vendor industry alternatives before Pacific countries select the company delivering most quickly or offering the easiest financing.

Investment in fisheries could allow Pacific countries to retain more of the value generated from their own waters. Processing facilities, cold storage, transportation, certification, and access to international markets would help countries move beyond exporting unprocessed catch. Joint ventures and investments would create local employment and revenue while reinforcing sustainable management of the region's most important natural resource.

Transportation may be the most important—and most difficult—piece. Reliable aviation and maritime connections are essential for healthcare, education, tourism, commerce, disaster

response, and national cohesion. Yet small populations and immense distances separating Pacific communities make many routes commercially challenging.

The United States and its partners should consider creating a Pacific essential-connectivity initiative modeled, in part, on the US Essential Air Service program but used and Congressionally authorized for eligibility for the Pacific Islands and US territories. It could use route guarantees, startup subsidies, and infrastructure financing to establish or preserve socially and strategically important air and maritime connections.

Such an initiative could support existing Pacific carriers, attract new commercial service, or potentially establish a new regional carrier—perhaps a “Freedom Airways”—backed by the United States and willing partners. But beyond launching routes, long-term viability would require parallel investment in aircraft maintenance, ground handling, port facilities, airport infrastructure, logistics, workforce training, and tourism services.

Healthcare offers another opportunity to combine infrastructure with technology. Telemedicine, AI-enabled diagnostic support, reliable medical supply chains, and regional health-data networks could expand access to specialist care across remote islands. These tools will not replace local doctors and nurses but can extend their reach and connect patients with expertise that is otherwise several flights away.

Climate change and rising sea levels must also occupy a central place in any credible investment plan. Pacific leaders consistently identify climate change as one of the greatest threats to their security and development. Responding will require pooled resources for mitigation, adaptation, resilient infrastructure, disaster preparedness, and loss and damage. Yet, China still has no formal or legal obligation to contribute to climate funding under the United Nations rules since the UN still considers [China a “developing nation.”](#) Moreover, according to “[Our World Data](#),” [China's emissions](#) have surged this century and represent the largest country contribution to annual global emissions.

A durable pipeline

Across these sectors, the United States and its allies face a common problem. China cherry picks and pursues publicly visible infrastructure, tourism, energy, fisheries, telecommunications, healthcare, and trade simultaneously, while the United States and its partners meet international obligations and choose to respond one sector, one program, and one funding announcement at a time. The solution is not forcing Pacific countries to choose sides, but to ensure they have meaningful choices.

The United States and its allies should establish a more formal investment and commercial-delivery arm within [Partners in the Blue Pacific](#), dedicated to converting the 2050 Strategy into a pipeline of projects.

Encouragingly, efforts are underway to connect Pacific priorities with private capital, including recent investment-focused convenings bringing together Pacific governments, development institutions, and businesses. These initiatives provide an important foundation.

The next crucial step is to translate that momentum into a durable pipeline of investment-ready projects, match them with the appropriate combination of grants, financing, guarantees, and private capital, and establish clear responsibility for carrying them through to implementation. Public messaging for these activities must carry weight so these communities see the real benefit.

Overall, success will be seen when a new route begins operating, electricity becomes more reliable, internet costs decline, fish are processed locally, medical care becomes more accessible, and Pacific citizens gain quality jobs.

Palau demonstrated that small states are not passive terrain for great-power competition. They have their own priorities, agency, and expectations of their partners. President Whipps's defense of Palau's sovereignty and Taiwan's participation was significant, as was his insistence that partnerships produce economic opportunity for his people.

At this year's forum, the US and allied partners showed up and stood by leaders, like President Whipps, during diplomatic disputes and promoted projects for the benefit of the Pacific Islands. Going forward, supporting the region will mean ensuring these leaders have credible development choices and commercial partners willing to *invest in* and *build* their economic future.

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