# **Total Political Risk Insurance: America's Strategic Tool for Economic Leadership Through Strategic Economic Zones**

## **Executive Summary**

The Total Political Risk Insurance Act of 2025 represents a paradigm shift in American development finance and foreign policy. By creating a new class of political risk insurance that provides full-value, long-term coverage backed by aggressive sovereign recovery mechanisms and statutory guarantee, TPRI transforms how America competes with China's state-driven investment model.

Key Innovation: Unlike traditional political risk insurance that compensates only for invested capital, TPRI covers the full fair market value of investments plus reasonably expected future profits, with coverage lasting 25-99 years and mandatory whole-of-government recovery actions.

## **How China Is Winning While America Stands Still**

For decades, the United States led global economic engagement in the Western Hemisphere, fostering prosperity through private investment, trade partnerships, and support for democratic institutions. However, as U.S. investment has stagnated, China has aggressively expanded its economic footprint, using state-controlled financing, infrastructure investments, and political leverage to entrench its influence.

Over the past two decades, Beijing has injected more than $137 billion in loan commitments to Latin American governments and state-owned enterprises, forging deep dependencies through debt diplomacy. Since 2000, China has successfully pressured a growing number of countries in the Western Hemisphere—including Panama, the Dominican Republic, El Salvador, Honduras, Nicaragua, Costa Rica, and Grenada—to sever diplomatic ties with Taiwan in exchange for economic incentives, expanding Beijing's political and economic foothold across the region. Today, Paraguay stands as the last South American country that maintains official diplomatic relations with Taiwan.

While China has systematically advanced its position through its multi-billion-dollar Belt and Road Initiative, the U.S. has lacked a comprehensive economic strategy to counter this state-driven model. Current development financing tools remain slow and limited in reach, while American businesses face regulatory instability, sovereign risk, and weak investment protections. The result has been a lost opportunity for U.S. leadership in a region vital to American strategic and economic interests.

## **The Urgency: Why America Must Act**

China's influence in the Western Hemisphere continues to grow through systematic expansion. In just the past three years, China has poured billions into critical projects—dams in Argentina and Honduras, metro lines in Colombia and Mexico, and a $6.5 billion bullet train in Peru. These investments give Beijing long-term leverage over key sectors, sidelining U.S. firms and embedding Chinese influence deep into the region's physical and economic architecture.

In Peru, Chinese state-owned Cosco Shipping is investing $3.6 billion in the Chancay megaport, set to become a pivotal gateway for Chinese exports to South America, granting Beijing substantial control over regional maritime trade routes. Similarly, in Ecuador, the Coca Codo Sinclair Dam, constructed by Chinese firm Sinohydro for $2.25 billion, stands as the nation's largest energy project, underscoring China's deepening influence in Latin America's critical infrastructure sectors.

China's direct political interference is no longer subtle. In November 2024, Chinese envoy Xu Wei was expelled from Paraguay for pressuring lawmakers to sever ties with Taiwan. This represents just the latest example of Beijing's aggressive diplomatic pressure campaign—one that threatens the political independence of key allies and expands China's authoritarian reach into the region.

The U.S. must act decisively to counterbalance China's influence by protecting existing U.S. investments and strategically promoting economic development in Latin America.

## **The Solution: Total Political Risk Insurance as America's Strategic Economic Instrument**

The Total Political Risk Insurance Act establishes a revolutionary framework that fundamentally rewrites the rules of development finance and great power competition. By guaranteeing full-value, long-term coverage backed by statutory commitment and the full force of American economic power for recovery, TPRI makes American-aligned investment the only rational choice for both investors and host countries.

The Act creates a three-tiered architecture that transforms how America deploys capital globally. First, it establishes a Congressional-Executive Agreement as a standing international agreement that countries can accede to through formal diplomatic instruments or SEZ designation requests, creating binding consent to arbitration and limited sovereignty waivers. Second, it provides flexible coverage mechanisms including nationwide accession where countries can join comprehensively, zone-only accession where countries can designate specific SEZs for coverage without nationwide commitment, and automatic umbrella coverage where all qualifying investments in designated Strategic Economic Zones receive TPRI protection. Third, it implements unprecedented enforcement and recovery mechanisms requiring the U.S. government to recover three times the amount paid on any claim within three years, coordinated by Treasury with State, Commerce, Defense, USTR, and Justice using sanctions, tariffs, asset seizures, visa restrictions, export controls, and litigation. Recovery proceeds flow to the Treasury general fund, with performance-based funding for executing agencies appropriated through regular budget processes.

Unlike traditional political risk insurance that offers limited compensation and weak enforcement, TPRI provides comprehensive protection that survives even if host countries repeal SEZ laws or withdraw from agreements. Coverage explicitly endures for 25-99 years per qualifying investment, with guaranteed payment within 18 months or immediately upon arbitral award. The binding survival provisions ensure coverage remains intact regardless of political changes, making expropriation economically irrational for bad actors.

## **Strategic Economic Zones: The Deployment Mechanism for TPRI**

To maximize TPRI's impact, the United States deploys this revolutionary insurance through Strategic Economic Zones—privately managed, government-overseen jurisdictions that import common-law commercial codes, contractual stability, and streamlined regulation while maintaining host-nation sovereignty.

The Strategic Economic Zone model was inspired by the success of Special Economic Zones in China, Dubai, and Panama, which transformed stagnant economies into global investment hubs through legal certainty, transparent governance, and pro-business regulations. Singapore likewise serves as an example of how a small nation with few natural resources became one of the world's most successful economies by implementing strong legal frameworks, business-friendly policies, and attractive incentives for foreign investors. These same principles define Strategic Economic Zones, offering host nations real economic independence and a sustainable, rules-based alternative to China's debt-driven model.

Honduras played a key role in refining and testing this model, demonstrating its effectiveness even in a challenging economic and political environment. With the passage of legislation creating unique Special Economic Zones called ZEDEs (Zone for Employment and Economic Development), Honduras went beyond traditional SEZs by enhancing investor protections, modernizing governance, and implementing a long-term regulatory framework aligned with international standards. Key innovations include legal stability agreements to provide a consistent investment climate and protect against arbitrary policy changes, a transparent legal system based on international common law standards to reduce corruption and political risk, local workforce participation ensuring that economic benefits reach surrounding communities, and independent dispute resolution mechanisms to protect investments and enhance investor confidence.

## **How Strategic Economic Zones Work: The Five Pillars of Success**

Strategic Economic Zones succeed through five fundamental pillars that distinguish them from traditional special economic zones. First, ease of doing business is achieved through streamlined regulations and regulatory reciprocity that ensure companies can establish and scale operations efficiently. Second, good governance and rule of law provide a transparent, stable legal framework that protects investors and prevents political interference through reliable dispute resolution mechanisms. Third, legislative stability through enforceable investment agreements guarantees that Strategic Economic Zones remain insulated from shifting political winds. Fourth, fair tax compliance ensures that unlike offshore tax havens, Strategic Economic Zones operate with full fiscal transparency, ensuring tax revenues benefit local economies. Fifth, local workforce participation prioritizes local labor, ensuring that economic growth benefits host-country workers.

## **TPRI Activation Requirements for Strategic Economic Zones**

For an existing special economic zone to qualify as a Strategic Economic Zone and therefore for TPRI umbrella coverage, it must meet stringent requirements that ensure alignment with American interests and values. The zone must maintain governance compatible with principles of the common law and provide regulatory reciprocity substantially equivalent to standards recognized by the Organization for Economic Cooperation and Development. Legal stability must be guaranteed for a period of not less than 25 years, with disputes submitted to binding international arbitration using ICSID as the default forum.

Critically, the Zone Operator must be at least 70% owned, directly or indirectly, by United States persons, ensuring American control and alignment with U.S. strategic interests. These operators serve dual roles as both zone administrators and TPRI underwriters, conducting first-line due diligence and maintaining skin in the game through first-loss capital requirements of 5% of insured exposure or segregated accounts equal to 10% of insured exposure, invested in obligations of the United States and subject to DFC audit.

The Act permanently excludes China, Russia, Iran, and North Korea from TPRI eligibility, with provisions for temporary exclusions of other countries for national security reasons. SEZs can be designated as Strategic by the President or the Secretaries of State, Treasury, Defense, or Commerce, or the DFC CEO, with expedited congressional review through a 30-day notification period during which Congress may disapprove designations through joint resolution. This structure ensures rapid response to opportunities while maintaining appropriate oversight through the interagency notice period and National Security Council review process.

## **TPRI vs. Traditional Political Risk Insurance: A Revolutionary Leap**

The comprehensive superiority of TPRI over traditional political risk insurance cannot be overstated. Where traditional DFC PRI limits compensation to capital invested, TPRI pays the full fair-market value of impaired assets including reasonable expected profits, ensuring complete investor protection including upside potential. Coverage duration extends from the typical 3-20 years of traditional insurance to 25-99 years per qualifying investment, enabling long-term infrastructure and development projects that transform economies.

The policy scope revolutionizes deployment efficiency. Instead of deal-by-deal underwriting that creates transaction friction, TPRI provides umbrella coverage at the zone level where all qualifying investments are automatically covered, dramatically reducing costs and accelerating deployment. Payout timelines become predictable with guaranteed payment within 18 months or immediately upon arbitral award, compared to no fixed timeline and lengthy review processes under traditional insurance.

Most transformatively, TPRI implements mandatory whole-of-government action to recover three times claim value within three years, compared to traditional insurance that relies only on private arbitration with no mandatory recovery mechanism. This makes expropriation prohibitively expensive for bad actors while strengthening U.S. fiscal position. The legal authority comes from an Act of Congress with a standing Congressional-Executive Agreement, creating sovereign guarantees with treaty-like durability rather than agency-level programs. Zone Operators must be 70% U.S.-owned with first-loss capital requirements, ensuring U.S. control and skin in the game. Coverage explicitly survives repeal of SEZ laws or host withdrawal through ironclad survival clauses, providing protection against political changes that would terminate standard insurance.

## **Strategic Economic Zones vs. Traditional SEZs: Superior by Design**

Strategic Economic Zones represent a fundamental reimagining of the special economic zone concept, addressing every weakness that has limited traditional SEZs' impact. Governance shifts from typical domestic ministry or local development agency management with one-off concessions to public-private partnerships where zones are administered by U.S.-jurisdiction companies acting as Zone Operators, bringing private sector efficiency, robust compliance, and shielding investors from local bureaucracy while aligning with U.S. oversight.

The legal foundation requires commercial codes to be common-law compatible and recognized by host statute, unlike traditional SEZs where national civil-law systems remain in force with zones seldom overhauling underlying legal codes. This creates predictable, investor-friendly jurisprudence that lowers contract-enforcement risk. Regulatory reciprocity with OECD and other best-practice frameworks, including for labor rights, environmental protection, and workplace safety, reassures multinational firms their compliance systems travel intact, enabling Strategic Economic Zones to become preferred destinations for U.S.-aligned capital.

Dispute resolution becomes efficient through built-in, fast international arbitration and other impartial alternative dispute resolution mechanisms, contrasting with traditional zones where investors often rely on local courts or ICSID after the fact in slow and prohibitively expensive processes. Time-bound, neutral ADR slashes downtime and legal expense while providing certainty and familiarity to U.S. capital and companies.

Labor participation requirements ensure the majority of employees must be local nationals with skills-transfer as a key performance indicator, unlike many export-processing zones that import migrant labor or keep wages low with limited skills upgrading. This ensures broad-based host-country buy-in and political durability while exposing local labor to the benefits of a rule of law environment, driving higher expectations toward rest-of-country public policy measures.

The depth of reform encompasses whole-of-government changes with customs, licensing, land, and industry regulation all reformed to best practices with OECD countries, tackling root-cause barriers like corruption and red tape rather than papering over them with incentives as traditional zones do with their limited tax breaks and customs exemptions.

Tax policy shifts from heavy reliance on tax holidays and duty-free import status to optimized growth rates with transparent collection, creating sustainable revenues for host governments while avoiding races to the bottom. This creates a financially sustainable and incentives-aligned business and public policy model.

Revenue alignment allows DFC to take equity or revenue-share stakes alongside host governments, ensuring everyone—operator, host, and USA—shares in growth, creating mutual incentives to protect the zone, unlike traditional zones where host governments typically collect only customs or lease rents with little upside from firm success.

The industry scope opens to all industries—tech, advanced manufacturing, medical, services, and more—providing diversification that hedges cyclical risk and attracts higher-value supply chains, enabling Strategic Economic Zones to create high-quality social services to attract and retain top talent, unlike many single-industry zones focused on garments, light assembly, or petrochemicals.

Legal stability guarantees of 25-year minimum written into host legislation provide long-horizon certainty that unlocks large-scale, capital-intensive investment, compared to traditional zones where incentives can change with each budget cycle and policy flip-flops are common.

The typical incentive mix shifts from costly direct financial incentives like tax holidays, customs relief, and relaxed labor laws to policy-first incentives including rule-of-law, reciprocity, ADR, targeted tax optimization, and e-governance, competing on institutional quality rather than subsidy giveaways for more sustainable and defensible advantages.

Most critically, Strategic Economic Zones receive TPRI coverage once certified by the USG, creating the long-term political stability needed to make large capital investments, while traditional zones rely on traditional, flawed PRI or none at all.

## **Strategic Economic Zones in Action: Honduras Demonstrates the Model Works**

One of the strongest examples of the Strategic Economic Zone model is Próspera, a U.S.-led initiative in Honduras. Established as a public-private partnership under Honduras' Zone for Employment and Economic Development (ZEDE) framework, Próspera is the most advanced U.S.-operated special economic zone in Central America. It provides a transparent, business-friendly regulatory environment modeled on U.S. common law, ensuring legal stability and investor confidence.

Since its inception in 2020, Próspera has proven the power of Strategic Economic Zones to attract investment, create jobs, and promote sustainable development. By offering a stable, rules-based investment environment, Próspera has positioned itself as a successful model for economic growth and governance reform in Latin America.

U.S. private investment flowing into Próspera represented 33% of all greenfield FDI into the country, demonstrating strong investor confidence in the model. The zone created over 3,000 high-quality jobs and is expected to create well over 100,000, with 90% of the workforce coming from local communities during the startup phase. More than 300 businesses have registered to set up operations within Próspera, including high-tech startups, advanced manufacturing firms, and cutting-edge medical clinics.

Próspera incorporates strong environmental protections to ensure sustainable economic growth. Strict environmental risk management measures and sustainability-focused regulations promote responsible development, requiring investment and infrastructure projects to meet high environmental standards while balancing economic and ecological priorities.

Unlike traditional economic zones, Próspera operates within the Honduran legal system while maintaining autonomous regulatory oversight. It follows U.S. common law for commercial transactions, offering investment security, streamlined arbitration, and legal predictability—a competitive advantage over Chinese-backed projects, which often lack transparent governance and investor protections.

Public sentiment further underscores Próspera's impact. A 2023 survey of 1,583 Hondurans found that 61.93% believe Próspera is beneficial to the country, while 72.1% support ZEDEs as a solution to combat unemployment. Additionally, 63.3% believe ZEDEs have played a decisive role in job creation.

As a real-world demonstration of the Strategic Economic Zone model, Próspera proves that private-sector-led, rules-based investment can foster economic growth, strengthen governance, and create sustainable opportunities for local communities.

## **The TPRI Framework Architecture: A Comprehensive System**

The Total Political Risk Insurance Act creates a sophisticated three-tiered architecture that fundamentally transforms American economic statecraft.

The TPRI Act establishes the Congressional-Executive Agreement as a standing international agreement established by Congress. Countries accede through formal diplomatic instruments or SEZ designation requests, creating binding consent to arbitration and limited sovereignty waivers necessary for recovery actions.

It provides flexible coverage mechanisms to accommodate different levels of host country commitment. Under nationwide accession, countries can join comprehensively, enabling project-by-project or umbrella TPRI coverage with SEZs automatically receiving protection. Zone-only accession allows countries to designate specific SEZs for coverage without nationwide commitment, providing a lower-risk entry point. Once an SEZ is designated as Strategic, automatic umbrella coverage protects all qualifying investments without individual underwriting.

Finally, it implements enforcement and recovery mechanisms that give TPRI its transformative power. Upon claim payment, the USG has three years to recover three times the amount paid, coordinated by Treasury with State, Commerce, Defense, USTR, and Justice. The toolkit includes sanctions, tariffs, asset seizures, visa restrictions, export controls, and litigation—the full spectrum of American economic power. Recovery proceeds are directed to the Treasury general fund, with Congress appropriating performance-based funding to executing agencies through the regular budget process, creating institutional alignment for aggressive recovery while maintaining fiscal discipline. This timeline and recovery ensures not only that TPRI policies are profitable for the US Government via the DFC, but it creates a real, credible deterrent to would-be bad actors inside of one political cycle rather than over a decade or more.

## **Multiplying DFC Impact Through Strategic Deployment**

Strategic Economic Zones are a powerful way to multiply DFC's strategic impact. By offering concentrated, de-risked environments with clear legal frameworks and streamlined permitting, they significantly improve deal flow—creating a steady pipeline of viable projects that align with U.S. strategic and development priorities. Improved deal flow means DFC can more selectively support high-impact investments, mobilize additional private capital, and ensure its portfolio remains aligned with long-term development outcomes. This also helps manage risk more effectively by focusing resources on projects with strong governance structures and greater potential for success. The expedited DFC processing and interagency coordination available for TPRI-covered projects further accelerates deployment of American capital into strategic markets.

By updating how the U.S. International Development Finance Corporation works through TPRI, we can achieve dramatically more with existing resources—without spending more. Instead of giving out loans or grants dollar-for-dollar, Total Political Risk Insurance lets the U.S. back private investment with just a small portion of funds set aside. This means we can unlock 10-20 times more private investment, while also giving the U.S. a stake in the projects it supports through equity participation and revenue-sharing provisions. It represents a smarter, more efficient way to boost economic growth in the Western Hemisphere and push back on China's growing influence.

## **Implementation Framework: From Legislation to Global Deployment**

The path from Congressional passage to global implementation requires coordinated action across multiple agencies and careful sequencing of diplomatic and operational steps. The State Department will develop certification frameworks for recognizing Strategic Economic Zones aligned with U.S. interests, allowing any of the world's roughly 7,000 existing special economic zones to qualify as U.S.-recognized Strategic Economic Zones. Certification will be voluntary and criterion-based, anchored in the Five Pillars plus additional safeguards including demonstrable alignment with common-law commercial frameworks, independent arbitration mechanisms accessible to U.S. entities, commitments to high local labor participation and skills transfer, regulatory reciprocity with U.S. standards including labor and environmental protections, and transparent governance with public access to budgets, laws, and regulations.

Certified zones would be eligible for TPRI coverage, expedited DFC project review and financing, and inclusion in future Americas Partnership trade protocols—creating powerful incentives for host nations to reform while offering U.S. firms a vetted menu of de-risked locations.

The designation process ensures both rapid deployment and appropriate oversight. The broad designation authority granted to executive officials allows the President, Cabinet secretaries, and DFC leadership to identify opportunities quickly, while the 30-day congressional notification period with potential joint resolution disapproval and NSC review process prevent hasty or ill-considered designations. Host government consent requirements respect sovereignty while the deemed consent provision prevents bureaucratic delays from blocking strategic opportunities.

## **Conclusion: A Generational Opportunity for American Leadership**

The Total Political Risk Insurance Act of 2025 fundamentally rewrites the rules of development finance and great power competition. By guaranteeing full-value, long-term coverage backed by statutory commitment and the full force of American economic power for recovery, TPRI makes American-aligned investment the only rational choice for both investors and host countries.

TPRI represents a generational leap in American economic statecraft, creating an investment protection regime so comprehensive and enforcement mechanisms so powerful that expropriation becomes economically irrational for bad actors. It provides the US with a real, powerful counter to Chinese BRI projects that are far more favorable to the host nation than debt-trap, labor replacement boondoggles.

Combined with Strategic Economic Zones that import American rule of law and governance standards, TPRI offers developing nations a clear path to prosperity without debt traps or sovereignty compromises. For American investors, it transforms frontier markets into de-risked opportunities. For American foreign policy, it creates a strategic instrument that strikes at the root causes of poverty while advancing strategic interests.

The United States cannot afford to remain passive while China dictates the Western Hemisphere's economic trajectory. Strategic Economic Zones deployed with TPRI protection offer a bold, scalable, and strategically targeted investment model—one that reinforces U.S. leadership, protects private enterprise, and delivers lasting prosperity.