

## Perspective: Strategic Risk Policy® - Strait of Hormuz - Logic of US Global Strategy

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This paper is based on a presentation delivered by Simon Lee FARPI, Secretary, Australian Risk Policy Institute (ARPI®) at the Summit on *Strategic Risk Policy® and Advanced Maritime Technology* at the Australian Parliament House on 21 April 2026.

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The Strait of Hormuz provides a powerful case study for demonstrating how Strategic Risk Policy® (SRP) can generate signal from geopolitical noise and provide anticipatory warning before crises fully manifest. While current disruptions to global energy markets appear sudden and externally driven, many of the impacts now being felt in Australia were foreseen by those adopting Strategic Risk Policy® foresight and insight.

The national failure was not a lack of awareness of dependency, but a failure to challenge assumptions about how circumstances would or would not change. At the same time, the recent sequence of United States foreign policy actions reveals a coherent application of SRP logic, as Washington works deliberately to reduce its own geopolitical exposures while exploiting the vulnerabilities of its competitors.

Strategic Risk Policy® was developed to ensure risk leaders possess the skills to identify “the right information at the right time” across complex environments. Rather than reacting to isolated events, SRP can be applied with five interlinked pillars: dependencies, assumptions, vulnerabilities, exposures and opportunities. When applied rigorously, this framework allows analysts and policymakers to find problems well before they emerge into a crisis.

The Strait of Hormuz has been recognised for decades as one of the world’s most critical maritime chokepoints. Since the 1979 Islamic Revolution, strategists have understood Iran’s capacity to disrupt global energy flows by mining or closing the Strait. The vulnerability was demonstrated as far back as the Tanker War of the 1980s, and again in repeated Iranian threats over subsequent decades. What has changed is not the existence of the vulnerability but the strategic environment in which that exposure has finally been realised.

ARPI®’s earlier published analysis in January 2026 warned that the Indo-Pacific, unlike Europe, is heavily dependent on energy flows from the Middle East that transit Hormuz. Australia, although not a major direct importer of Middle Eastern oil, relies on regional energy markets that are themselves deeply exposed to disruptions in Gulf supply. This created a clear dependency: uninterrupted maritime energy flows across a distant chokepoint underpin domestic transport, agriculture, industry and economic stability. The associated vulnerability lay in the cascading effects of disruption, including inflation, supply shocks and economic slowdown.

Crucially, these vulnerabilities were masked by an enduring assumption: that the United States would continue to deter Iran from attempting a unilateral closure of the Strait. This assumption was not derived from explicit guarantees but inferred from decades of relative stability and from Australia’s own lack of serious planning around fuel storage and energy resilience. The steady erosion of onshore fuel reserves over two decades testified to unchallenged confidence that catastrophic disruption was unlikely.

Strategic Risk Policy® highlights why this confidence was misplaced. Iran’s determination to acquire nuclear weapons and delivery systems, Gulf Arab anxieties about Iranian intentions, combined with escalating US-Israel action against Iran’s nuclear program, meant the region was trending inexorably towards major conflict. Any such conflict would almost certainly involve attempts to disrupt energy supply to the Indo-Pacific. The risk was not remote. There was a clear trajectory for the region and one that Australia should have found out about in advance.

From an SRP perspective, Australia's failure was not ignorance of our national dependencies or vulnerabilities. Subject matter experts had long anticipated both. The failure lay in the persistence of incorrect assumptions about how events would unfold, particularly assumptions about allied deterrence, warning time and regional stability. When those assumptions collapsed, Australia found itself experiencing acute harm from a conflict it neither initiated nor directly participated in, yet one that nevertheless struck at the foundations of our economic resilience.

While Australia struggled with the consequences of false assumptions, the United States was acting very differently. When viewed through an SRP lens, the US Administration's recent foreign policy moves form a coherent pattern aimed at reducing American geopolitical exposure while exploiting the vulnerabilities of rivals.

The United States has moved aggressively to secure global navigation-free chokepoints critical to its own sea lines of communication. Pressure on Panama to remove Chinese influence from canal infrastructure reflects a clear recognition of dependency and exposure. The Panama Canal is essential to US economic and military mobility and allowing a strategic competitor to gain leverage over that chokepoint is clearly unacceptable.

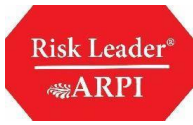
Similarly, renewed US attention to Greenland reflects anticipation of emerging Arctic shipping routes as climate change opens new sea lines of communication. Greenland sits astride future trade corridors that both Russia and China seek to exploit. From an SRP perspective, the controversy surrounding Greenland also tests assumptions about European leadership's willingness to secure strategic real estate and exposes divergences in threat perception held by Washington and its European allies.

Energy policy lies at the heart of this strategy. By increasing domestic energy production and securing access to Venezuelan supply, the United States has significantly reduced its own vulnerability to Middle Eastern disruption. Venezuela also represented an opportunity: securing *de facto* control over an oil supplier while denying that same resource to Russia. This simultaneously removed a regional vulnerability tied to narco-terrorism instability and strengthened US resilience against energy price shocks that they would have expected from their future Middle East operations.

These actions have had compounding effects. China, heavily dependent on Gulf energy and previously reliant on discounted Iranian supply, now faces increased economic and social exposure. Russia has lost strategic leverage through lost access to Venezuelan and Iranian oil. Asian importers, including Australia, confront higher risk premiums and fewer diversification options. Europe has been exposed as lacking both the naval capacity and political will to secure its own energy dependencies, vulnerabilities already demonstrated during the Iran/Houthi-initiated Red Sea disruptions of 2025.

From a high-level SRP interpretation, the US Administration is going well beyond traditional, reactive risk management processes. The Administration is weaponising other countries' dependencies, assumptions, vulnerabilities and exposures to shape the strategic environment to its own enduring dominance. By controlling chokepoints, influencing insurance and shipping systems, securing critical minerals, and constraining competitors' strategic options, Washington has shifted from reactive, insular risk management to proactive, strategic, free-world protection and exploitation. A much more aggressive posture than previous administrations.

And that change in posture has created strategic surprise. Adversaries and Allies alike appear to have miscalculated US tolerance for assertive action, particularly in grey-zone environments. By acting decisively, the United States has disrupted long-held assumptions in Beijing and Moscow about American restraint, while forcing allies to confront uncomfortable realities about their own vulnerabilities that have been wilfully ignored for decades. The speed of American action has also left everyone but its most trusted Allies scrambling to respond, often too late to affect trajectories.



For Australia, the lesson is stark. Strategic Risk Policy® demonstrates that the current energy crisis was not actually a surprise. It emerged from long-identified dependencies, well-understood vulnerabilities and a failure to revisit assumptions in the face of changing strategic conditions. As geopolitical competition intensifies, instability is likely to increase across the Indo-Pacific in multiple domains, not just maritime challenges like Hormuz.

Australia must therefore adopt a far more disciplined SRP mindset: mapping its vulnerabilities, stress-testing assumptions and prioritising resilience across energy, supply chains, critical infrastructure, finance flows and cognitive vulnerabilities. Clear-eyed, apolitical analysis suggests that deep alignment with the United States remains Australia's strongest strategic hedge, while intensifying support for regional partners in ASEAN and the Pacific to reduce existing shared vulnerabilities and to protect against future vulnerabilities.

Russia and China have been trampling over international laws and norms for years, acting with unapologetic self-interest. Now the US is also playing by those same rules, confirming that the era of stable, historical rules-based order is finished. In an era of global instability, Strategic Risk Policy® is an essential tool for national survival.

From ERPI's perspective (ERPI being ARPI®'s affiliated European Risk Policy Institute), Hormuz illustrates the central lesson of Strategic Risk Policy in a 3°C world: strategic risk now travels through continuity lifelines before it appears as a conventional crisis. Energy, shipping, insurance, finance, food systems, digital infrastructure, and public trust form a coupled operating system; when one chokepoint is disrupted, the damage moves across societies faster than politics can adapt.

This failure is rarely the absence of warning. The warning is usually present, dispersed across technical communities, sectoral data, and historical memory. The deeper failure lies in untested assumptions: that deterrence will hold, markets will absorb the shock, allies will act in time, and existing governance arrangements will continue to function under stress. Hormuz shows why Strategic Risk Policy® must become a standing discipline of national resilience, alliance planning and institutional foresight. It helps leaders see dependencies before they become vulnerabilities and convert early warning into adaptive capacity rather than emergency improvisation.

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