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The Hindu Analysis- 17th June 2025

- **FATF condemns Pahalgam attack , to release report on 'state-sponsored terror' for first time**
- **Where does Trump stand on the Israel-Iran conflict?**
- **'Hopeful talks with China on rare earths will yield positive outcome'**
- **What are the ambiguities in India's nuclear liability law?**
- **What is the significance of the Shipki La pass?**

FATF condemns Pahalgam attack

The Financial Action Task Force (FATF), the global watchdog for combating terror financing, has condemned the Pahalgam terror attack (22 April 2025), stating that such attacks “**could not occur without money and means to transfer funds between terrorist supporters.**”

Relevance:

General Studies (GS) Mains Paper II (International Relations) and GS Paper III (Internal Security).

FATF condemns Pahalgam attack, to release report on 'state-sponsored terror' for first time

T.C.A. Sharad Raghavan
NEW DELHI

The Financial Action Task Force (FATF), the apex inter-governmental anti-terror financing watchdog, has issued a statement condemning the Pahalgam terror attack, noting that it “could not occur without money and the means to move funds between terrorist supporters”.

According to sources, this is a significant condemnation as it is only the third time in the last decade that a terror attack has been condemned by the FATF. Further, it is learnt that the FATF will release a report next month which, for the first time, will include state-sponsorship as a separate source of funding of terror.

It is only the third time in a decade that the FATF has condemned a terror attack

The Hindu had reported earlier about how the government was sending a dossier to the FATF to argue in favour of including Pakistan in the ‘grey list’ of countries that warranted greater scrutiny.

“Terrorist attacks kill, maim, and inspire fear around the world,” the FATF said in a statement. “The FATF notes with grave concern and condemns the brutal terrorist attack in Pahalgam on 22 April 2025. This, and other recent attacks, could not

occur without money and the means to move funds between terrorist supporters.”

According to sources aware of these developments, the FATF “rarely” issues a condemnation of terrorist acts.

“It is only the third time in the last decade that they have issued a condemnation of a terrorist attack,” a source said. “It has issued the condemnation because the international community has felt the severity of the attack and highlights that such attacks will not go unpunished.”

According to sources, the FATF has also developed a Terror Financing Risk & Context toolkit for assessors, so that countries such as Pakistan cannot

“fool them with lies” about the terror financing risks from their jurisdictions.

The FATF will soon release a comprehensive analysis of terrorist financing and will host a webinar to help the public and private sectors understand the risks and stay alert to emerging threats. Sources said this report would be out in a month.

“The FATF is releasing a report on terror financing risks in a month’s time,” the source said. “This is the first time the concept of ‘state-sponsored terrorism’ is being acknowledged by FATF as a funding source. Only India’s National Risk Assessment recognises state-sponsored terrorism from Pakistan as a key terror financing risk.”





FATF will release a report next month that, for the first time, acknowledges state-sponsored terrorism as a distinct source of terror funding.

India submitted dossier to FATF pushing to re-list Pakistan in the grey list.

The Financial Action Task Force (FATF) is an inter-governmental body that sets international standards to combat **money laundering, terrorist financing**, and related threats. It maintains **grey** and **black lists** of countries based on their compliance with these standards.

Where does Trump stand on the Israel-Iran conflict?

On **June 12**, U.S. President **Donald Trump** publicly asked **Israel** not to attack Iran, saying the U.S. was close to a nuclear deal with Iran. However, within hours, **Israel launched a major airstrike**, hitting Iran's **Natanz nuclear facility**, missile sites, and killing top generals.

Did Trump Know?

According to Israeli officials, the U.S. gave a **"green light"** for the attack and only **pretended to oppose it** to keep Iran off guard. Trump later confirmed he knew and allowed it to happen.

He said he gave Iran **60 days** to agree to a deal, and on the **61st day**, Israel struck. Trump added that more **"brutal" attacks** would come unless Iran agrees to a deal.



Iran's Reaction

Iran canceled the June 15 talks and **responded with missile attacks**. The U.S. used its **air defence systems** to protect Israel. Trump warned Iran not to retaliate against the U.S. or face devastating consequences.

Israel continued its attacks, gaining **air control over Iran**. On June 15, Iran attacked **Haifa and Tel Aviv**, killing 8 and injuring over 300 people.





As the war escalated, Trump again called for a peace deal, claiming he had resolved past conflicts like **India-Pakistan**.

Meanwhile, Israeli Prime Minister **Netanyahu** confirmed that **Trump had been informed in advance** of the attacks.

On June 16, Israel claimed full **air dominance over Tehran**, followed by a **massive bombing** of the Iranian capital.



‘Hopeful talks with China on rare earths will yield positive outcome’

The Indian government is **actively engaging with China** both **commercially and diplomatically** to ease supply issues related to **rare earth metals and magnets**, which are **critical for the automobile sector**. These materials are essential for **electric vehicles (EVs), batteries, and other high-tech components**, and **China is the dominant global supplier**.

‘Hopeful talks with China on rare earths will yield positive outcome’

T.C.A. Sharad Raghavan
NEW DELHI

The Centre is engaged with China commercially as well as diplomatically to help ease the plight of importers, especially the automobile sector, that are dependent on rare earth metals and magnets, Commerce Secretary Sunil Barthwal said on Monday.

He said he was “hopeful” that the discussions would yield a positive result. In addition, he said that the Ministry of Com-



Sunil Barthwal

merce and Industry would be holding a meeting this week with trade and shipping stakeholders to understand the issues they were facing due to the Is-

rael-Iran conflict.

“Since China’s actions on rare earth metals and magnets are impacting the auto sector more, we are engaged with both the Society of Indian Automobile Manufacturers and Automotive Component Manufacturers Association,” Mr. Barthwal said.

On the Israel-Iran conflict, he said the overall impact on India’s trade would depend on how the situation unfolds there, but added that India was tracking the developments.

The **Ministry of Commerce and Industry** is also planning a **meeting with trade and shipping stakeholders** this week to assess challenges arising from the Israel-Iran conflict, which could impact **India’s trade routes and energy supplies**.

Background:

Rare Earth Dependency on China:

- China controls over **80–90%** of the global supply of rare earth elements, which are vital for electronics, green energy tech, and **automobile components**.
- India’s **auto and EV sectors** rely heavily on imports of these materials.
- Any export restrictions or pricing issues from China can significantly **disrupt production and raise costs** for Indian manufacturers.

Israel-Iran Conflict and Trade:

- The **ongoing conflict** in West Asia has the potential to disrupt **shipping lanes** (like the Strait of Hormuz), impact **oil prices**, and raise **freight costs**.
- India, as a major oil importer and regional trading partner, is **closely monitoring** these developments to **minimize trade disruptions**.





What are the ambiguities in India's nuclear liability law?

The story so far:

India is thinking about **relaxing its nuclear liability laws**, especially the parts that hold **equipment suppliers responsible for accidents**.

This move aims to **attract U.S. companies**, which have stayed away from nuclear projects in India due to the risk of being held responsible for damages without any limit.

What are the ambiguities in India's nuclear liability law?

What are the provisions of the Indian nuclear liability law? What does it say about supplier liability in the event of a nuclear accident? Why do some provisions in the law continue to make foreign companies wary?

Diksha Munjal

The story so far:

As per a Reuters reports, India is reportedly planning to ease its nuclear liability laws, with respect to accident-related fines on equipment suppliers, in order to attract more U.S. firms which have been holding back due to the risk of unlimited exposure.

What is the law governing nuclear liability in India?

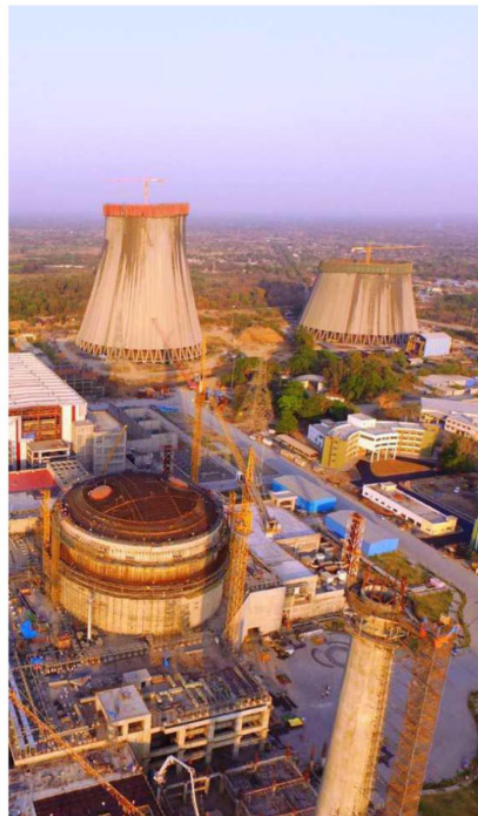
Laws on civil nuclear liability ensure that compensation is available to the victims for nuclear damage caused by a nuclear incident or disaster and set out who will be liable for those damages. The international nuclear liability regime consists of multiple treaties and was strengthened after the 1986 Chernobyl nuclear accident. The umbrella Convention on Supplementary Compensation (CSC) was adopted in 1997 with the aim of establishing a minimum national compensation amount. The amount can further be increased through public funds (to be made available by the contracting parties), should the national amount be insufficient to compensate the damage caused by a nuclear incident.

Even though India was a signatory to the CSC, Parliament ratified the convention only in 2016. To keep in line with the international convention, India enacted the Civil Liability for Nuclear Damage Act (CLNDA) in 2010, to put in place a speedy compensation mechanism for victims of a nuclear accident. The CLNDA provides for strict and no-fault liability on the operator of the nuclear plant, where it will be held liable for damage regardless of any fault on its part. It also specifies the amount the operator will have to shell out in case of damage caused by an accident at ₹1,500 crore and requires the operator to cover liability through insurance or other financial security. In case the damage claims exceed ₹1,500 crore, the CLNDA expects the government to step in and has limited the government liability amount to the rupee equivalent of 300 million Special Drawing Rights (SDRs) or about ₹2,100 to ₹2,300 crore. The Act also specifies the limitations on the amount and time when action for compensation can be brought against the operator.

India currently has 22 nuclear reactors with over a dozen more projects planned. All the existing reactors are operated by the state-owned Nuclear Power Corporation of India Limited (NPCIL).

What does the CLNDA say on supplier liability?

The international legal framework on civil nuclear liability, including the annex of the CSC is based on the central principle of exclusive liability of the operator of a nuclear installation and no other person. In the initial stages of the nuclear industry's development, foreign governments and the industry agreed that excessive liability claims against suppliers of nuclear equipment would make their business unviable and hinder the growth of nuclear energy, and it became an accepted practice for national laws of countries to channel nuclear liability to the operators of the plant with only some exceptions. Two other points of rationale were also stated while accepting the



Easing laws: A view of a Pressurised Heavy Water Reactor (PHWR) in Gujarat in 2017. FILE PHOTO

exclusive operator liability principle – one was to avoid legal complications in establishing separate liability in each case and the second was to make just one entity in the chain, that is the operator to take out insurance, instead of having suppliers, construction contractors and so on take out their own insurance.

Section 10 of the annex of the CSC lays down "only" two conditions under which the national law of a country may provide the operator with the "right of recourse", where they can extract liability from the supplier – one, if it is expressly agreed upon in the contract or two, if the nuclear incident "results from an act or omission done with intent to cause damage".

However, India, going beyond these two conditions, for the first time introduced the concept of supplier liability over and above that of the operator's in its civil nuclear liability law, the CLNDA. The architects of the law recognised that defective parts were partly responsible for historical incidents

such as the Bhopal gas tragedy in 1984 and added the clause on supplier liability. So, apart from the contractual right of recourse or when "intent to cause damage" is established, the CLNDA has a Section 17(b) which states that the operator of the nuclear plant, after paying their share of compensation for damage in accordance with the Act, shall have the right of recourse where the "nuclear incident has resulted as a consequence of an act of supplier or his employee, which includes supply of equipment or material with patent or latent defects or sub-standard services".

Why is the supplier liability clause an issue in nuclear deals?

Foreign suppliers of nuclear equipment from countries as well as domestic suppliers have been wary of operationalising nuclear deals with India as it has the only law where suppliers can be asked to pay damages. Concerns about potentially getting exposed to unlimited

liability under the CLNDA and ambiguity over how much insurance to set aside in case of damage claims have been sticking points for suppliers.

Suppliers have taken issue with two specific provisions in the law, Section 17(b) and Section 46.

The latter clause goes against the Act's central purpose of serving as a special mechanism enforcing the channelling of liability to the operator to ensure prompt compensation for victims. Section 46 provides that nothing would prevent proceedings other than those which can be brought under the Act, to be brought against the operator. This is not uncommon, as it allows criminal liability to be pursued where applicable. However, in the absence of a comprehensive definition on the types of 'nuclear damage' being notified by the Central Government, Section 46 potentially allows civil liability claims to be brought against the operator and suppliers through other civil laws such as the law of tort. While liability for operators is capped by the CLNDA, this exposes suppliers to unlimited amounts of liability.

What are existing projects in India?

The Jaitapur nuclear project has been stuck for more than a decade – the original MoU was signed in 2009. In 2016, Électricité de France (EDF) and NPCIL signed a revised MoU, and in 2018, the heads of both signed an agreement on the "industrial way forward" in the presence of Indian Prime Minister Narendra Modi and French President Emmanuel Macron. In 2020, the EDF submitted its techno-commercial offer for the construction of six nuclear power reactors but an EDF official told that the issue arising from India's nuclear liability law remains an item on the "agenda for both countries". Multiple rounds of talks have not yet led to a convergence on the issue. Other nuclear projects, including the nuclear project proposed in Kovvada, Andhra Pradesh, have also been stalled. Despite signing civil nuclear deals with a number of countries, including the U.S., France and Japan, the only foreign presence in India is that of Russia in Kudankulam – which predates the nuclear liability law.

What is the government's stand?

The central government has maintained that the Indian law is in consonance with the CSC till now. About Section 17(b), it said that the provision "permits" but "does not require" an operator to include in the contract or exercise the right to recourse.

However, legal experts have pointed out that a plain reading of Section 17 of the CLNDA suggests that Section 17(a), (b) and (c) are distinctive and separate, meaning even if the right to recourse against the supplier is not mentioned in the contract (as provided by Section 17 (a)), the other two clauses stand. This effectively means that the supplier can be sued if defective equipment was provided or if it can be established that the damage resulted from an act of intent. Besides, it would not be sound public policy if the NPCIL, a government entity, entered into a contract with a supplier and waived its right to recourse in the contract, despite the fact that the law provides for such recourse. Further, the Ministry of External Affairs had said that Parliament debates over the CLNDA had rejected amendments to include the supplier, and therefore the supplier cannot be liable under this kind of "class-action suit". However, private sector players were not convinced and experts point out that during a trial, what would be considered is what is enshrined in the statute and not what was discussed in Parliament.

This article was first published on April 26, 2023.





What is the law governing nuclear liability in India?

India has a law to ensure **victims of nuclear accidents get compensated**, and to define who will pay for the damage. **Civil Liability for Nuclear Damage Act (CLNDA)**

- The **nuclear operator** is mainly responsible for accidents (even without fault).
- Operators must keep **₹1,500 crore insurance**.
- If damages exceed this, the government will step in (limit: ₹2,100–2,300 crore).
- Only **NPCIL**, a government company, currently operates India's nuclear plants.



Globally, only operators (not suppliers) are held liable. Suppliers aren't expected to buy separate insurance.

However, **India made an exception**. It added **Section 17(b)**, which allows the operator to recover money from a supplier **if the accident was caused by defective parts or poor-quality work**. This was inspired by past industrial disasters like the **Bhopal gas tragedy**. **Due to this, many companies are hesitant to supply nuclear parts to India.**



What are existing projects in India?

Big nuclear projects like **Jaitapur (with France)** and **Kovvada (proposed with the U.S.)** are stuck due to supplier liability concerns.

Although India has civil nuclear agreements with several countries (U.S., France, Japan), **only Russia's project at Kudankulam has progressed**, and that too because it started before the current liability law.





What is the government's stand?

The government says India's law **follows international rules**. It argues that **Section 17(b)** only allows recourse if the operator chooses, not forces them to do so. But legal experts disagree.

They say the law **automatically allows** operators to sue suppliers even if the contract doesn't mention it. They also argue that **what's written in the law matters more than what was said in Parliament debates**. Because of these legal uncertainties, **private companies remain cautious**.

What is the significance of the Shipki La pass?

The story so far:

Himachal Pradesh has opened **Shipki La Pass** in Kinnaur to **Indian tourists without permits**, aiming to **revive tourism and local economy**. Locals hope this will eventually lead to **revival of cross-border trade with Tibet/China**.

What is its historical importance?

Shipki La was a **major trade route between India and Tibet** since at least the 15th century, rooted in **deep cultural and community ties**.

Why was the trade route closed?

Trade through Shipki La halted after the 1962 India-China war, and remained closed due to later issues like the Doklam standoff and COVID-19. Commercial trade is still not allowed.

Why has the recent intervention sparked enthusiasm?

The new **permit-free access** has **boosted local hope**. Tribal communities of Kinnaur, historically involved in cross-border trade, are **appealing for trade resumption**.

The **Chief Minister has promised to raise the issue** with the Centre.

What goods were traded?

Imports from Tibet: wool, livestock, yak products, devotional items, borax, turquoise, gold.

Exports to Tibet: grains, spices, utensils, iron tools, fruits, timber.

- Trade shaped **local crafts, food habits, and jewellery traditions**, especially among **Kinnauri women**.
- Shipki La links people with **shared culture, religion, and lifestyle**, not blood ties.
- Both sides follow **Buddhism** and share **festivals, surnames, and traditions**. Reopening the pass may show how **cultural bonds can support peace and diplomacy**.

