

# The Hindu Important News Articles & Editorial For UPSC CSE

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India's overall trade deficit narrowed to \$6.6 billion in May 2025, reflecting an improving external trade position driven by services exports growth and decline in oil imports. This development highlights both the resilience of India's services sector and the impact of volatile global energy prices on the country's trade dynamics.

# India's total trade deficit narrows to \$6.6 billion as total exports grow

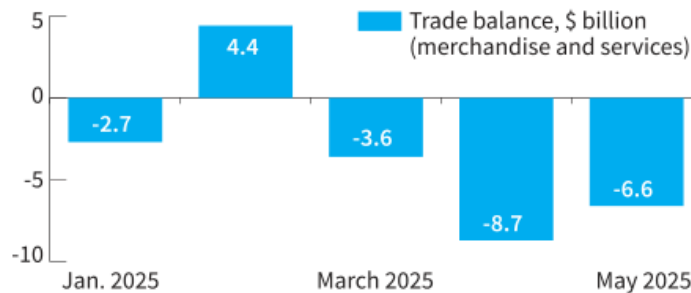
**T.C.A. Sharad Raghavan**  
NEW DELHI

India's overall trade deficit narrowed to \$6.6 billion in May 2025, down nearly 30% from its level in May last year, as total imports fell largely due to a fall in oil prices while total exports grew on the back of a strong performance by the services sector, official data show.

According to the monthly data released by the Ministry of Commerce and Industry on Monday, total exports grew 2.8% to \$71.1 billion in May 2025 – up from \$69.2 billion in May 2024 – with exports in the service sector growing 9.4% to \$32.4 billion. Merchandise exports, on the other hand, contracted

## Dip in deficit

Strong showing by service exports, which grew by 9.4% to \$32.4 billion in May 2025, boosted overall exports



SOURCE: MINISTRY OF COMMERCE AND INDUSTRY

2.2% to \$38.7 billion, while non-petroleum exports reported a 5.1% growth.

The data shows that India's non-petroleum exports grew 5.1% in May 2025.

Merchandise imports too were impacted by falling oil prices. While total

merchandise imports contracted 1.7% in May 2025, the non-petroleum imports grew 10% in the same month. Services imports grew 1.5%. Taken together, total imports contracted 1% in May 2025.

According to Commerce Secretary Sunil Barthwal, a

**Total exports grew 2.8% to \$71.1 billion in May 2025 – up from \$69.2 billion in May 2024**

large part of the reason for the subdued performance in merchandise exports is the fall in global oil prices.

“For May, there is positive growth in non-petroleum exports because petroleum, in times of crisis, there is a lot of volatility,” Mr. Barthwal said at a briefing on the trade data. “Currently, there is new volatility that has come. And we have also seen, in the last two months, there was a sustained fall in prices in petroleum, which has got a dampening impact on exports.”

## Key Trends in the Data:

- **Services Sector Leads the Way**

## Daily News Analysis

- Services exports rose by 9.4% to \$32.4 billion, showcasing India's strength in IT, business process outsourcing, and digital services.
- The robust services performance helped offset weakness in merchandise trade.
- **Merchandise Exports Under Pressure**
  - Overall merchandise exports fell 2.2% to \$38.7 billion.
  - Non-petroleum merchandise exports, however, grew by 5.1%, reflecting demand for engineering goods, pharmaceuticals, and electronics.
  - The decline in petroleum exports was attributed to the fall in global oil prices and market volatility.
- **Import Trends and Oil Price Impact**
  - Total merchandise imports fell by 1.7%, primarily due to a drop in oil imports.
  - Non-petroleum imports grew by 10%, possibly indicating strong domestic demand for capital and consumer goods.
  - Services imports saw a marginal growth of 1.5%, keeping overall import growth in check at just -1%.

### Analysis and Implications:

- **Oil Price Sensitivity:**
  - India's trade balance remains highly sensitive to global crude oil prices, given that oil constitutes a major share of imports and export products (like petroleum derivatives). A decline in prices helps reduce the import bill, but also reduces export earnings from refined products.
- **Structural Strength in Services Trade:**
  - The services sector continues to act as a buffer to the trade deficit, providing a consistent source of foreign exchange earnings. This is a strategic strength in India's external sector and needs further support via policy incentives.
- **Trade Diversification Imperative:**
  - The fall in merchandise exports underlines the importance of diversifying export baskets and expanding into new markets, especially amidst global uncertainties like geopolitical tensions and slowing global demand.
- **Short-Term Relief, Long-Term Vigilance:**
  - While the narrowing of the trade deficit is a positive signal for macroeconomic stability, India must remain vigilant to external shocks, particularly related to energy security and geopolitical tensions in oil-producing regions.

### Conclusion:

## Daily News Analysis

- India's narrowed trade deficit in May 2025 reflects a favorable interplay of lower oil prices and strong services exports, but the data also underline the need for greater resilience in merchandise trade. Strategic planning to expand non-oil exports, enhance services competitiveness, and secure energy supply chains will be essential for sustaining long-term trade stability.

### UPSC Mains Practice Question

**Ques :** India's trade deficit narrowed in May 2025, aided by strong services exports and falling oil prices. Discuss the implications of these trends for India's external sector stability and long-term trade policy. **(250 words)**





Prime Minister Narendra Modi's participation in the G7 Outreach Summit in Calgary, Canada, marks a significant moment in India's evolving multilateral diplomacy. It is his first major multilateral engagement following Operation Sindoor, India's targeted counter-terror campaign in May 2025, and comes amid rising geopolitical tensions, including the Israel-Iran and Russia-Ukraine conflicts.

## Modi to reach Canada for G7 Outreach Summit, will hold bilateral meets

This is his first multilateral event after the conclusion of Operation Sindoor; the summit is being watched keenly as it is being held against the backdrop of Israel-Iran and Russia-Ukraine conflicts

**Kallol Bhattacharjee**  
NEW DELHI

**P**rim Minister Narendra Modi is scheduled to reach Calgary, Canada on Monday to attend the G7 Outreach Summit.

The summit is being watched keenly as it is being held against the backdrop of escalating Israel-Iran and Russia-Ukraine conflicts.

Apart from Mr. Modi, Ukraine President Volodymyr Zelenskyy will be among the guests in the summit that will be held in Kananaskis, Alberta.

The Group of Seven (G7) is an informal grouping of the world's advanced economies. It is made up of seven member countries – France, the U.S., the U.K., Germany, Japan, Italy, and Canada – and the European Union.

Mr. Modi's visit to Canada, taking place after a brief visit to Cyprus, is being viewed with interest here as it will give an opportunity to him and the new Canadian Prime Minister Mark Carney to warm up India-Canada ties that had nosedived during the Premiership of Justin Trudeau after he alleged in September 2023 that In-



Prime Minister Narendra Modi departs from Cyprus to attend the G7 Outreach Summit in Canada. ANI

dian state actors were behind the June 18, 2023 murder of pro-Khalistan activist Hardeep Singh Nijjar. Earlier, Mr. Carney had taken a step forward to normalisation of ties by highlighting India's global profile that he said required engagement.

"At the summit, the Prime Minister will exchange views with leaders of G7 countries, other invited outreach countries and Heads of International Organisations on crucial global issues, including energy security, technology and innovation, particu-

larly the AI-energy nexus and Quantum-related issues," the External Affairs Ministry had said in New Delhi. The G7 summit is the first multilateral event that Mr. Modi will attend after the conclusion of Operation Sindoor against terror targets in Pakistan in May. Apart from Prime Minister Carney, Mr. Modi is expected to meet multiple other leaders of the G7 and the guest countries.

### Three core issues

The G-7 Outreach Summit is scheduled for Tuesday noon which will be themed

around three core issues of "Protecting our communities around the world", "Building energy security and accelerating the digital transition" and "securing the partnerships of the future". Apart from Mr. Modi, and Mr. Zelenskyy, host Canada has invited leaders of Australia, Brazil, Mexico, South Africa, and South Korea.

Following his engagements in Canada, Mr. Modi will leave on Tuesday evening for Zagreb, Croatia which is last of his three-nation tour.

(With PTI inputs)

## **G7 Outreach: What It Signifies for India**

- **Platform for Strategic Dialogue:**
  - Though India is not a G7 member, its consistent presence in outreach sessions underscores its growing influence in global decision-making and its strategic value to advanced economies.
- **Post-Operation Sindoor Diplomacy:**
  - This is Modi's first multilateral appearance after Operation Sindoor. The summit provides a critical forum to shape international perception of India's counter-terror posture and to garner support or neutrality from key global players.
- **Reset in India-Canada Relations:**
  - The visit holds additional weight as Modi is expected to engage with new Canadian PM Mark Carney, potentially resetting strained ties following accusations by former PM Justin Trudeau over the Nijjar assassination case. Carney's recent remarks indicating openness toward India provide diplomatic room for rapprochement.

## **Key Themes and India's Interests:**

- **Energy Security & Digital Transition:**
  - India is expected to advocate for a balanced energy policy, emphasizing clean energy, affordability, and just transition, while pushing for digital inclusion, AI regulation, and quantum innovation in the Global South.
- **Global Security and Counter-Terrorism:**
  - Against the backdrop of Israel-Iran and Russia-Ukraine wars, India may reiterate its position on respect for sovereignty, strategic restraint, and zero tolerance for cross-border terrorism.
- **Partnerships of the Future:**
  - India will aim to enhance ties with G7 members and guest countries like Brazil, South Korea, and South Africa, promoting Global South solidarity, digital cooperation, and supply chain diversification.

## **Broader Implications:**

- **Strengthening Multilateral Clout:**
  - India's continued presence in G7 outreach reflects its growing stature as a bridge between developed and developing worlds, and as a voice for the Global South in multilateral forums.
- **Narrative Control Post-Sindoor:**
  - By attending a high-level summit soon after a controversial military operation, India seeks to control the narrative, project strength, and secure international legitimacy for its security concerns.

## Daily News Analysis

- **Bilateral Diplomacy on the Sidelines:**

- The summit provides room for multiple bilateral meetings with G7 leaders, including possible discussions with U.S., France, and EU on defence cooperation, tech partnerships, and Indo-Pacific strategy.

### Conclusion:

- The 2025 G7 Outreach Summit is not just a diplomatic event but a strategic arena where India aims to balance national security concerns, promote technological and economic cooperation, and revive strained bilateral ties, particularly with Canada. As global geopolitics grows more fractured, India's active engagement at such forums will be crucial in shaping new power alignments, defending its sovereign interests, and projecting itself as a responsible global actor.

### UPSC Mains Practice Question

**Ques:** India's participation in global groupings like the G7 Outreach Summit reflects its rising diplomatic profile. Discuss the strategic importance of such engagements for India in the current global context. **(250 words)**





The Financial Action Task Force (FATF) - the world's premier inter-governmental body focused on combatting money laundering and terror financing - has issued a rare and strong condemnation of the April 22, 2025 terrorist attack in Pahalgam, Jammu & Kashmir. Significantly, the FATF is set to release a report that, for the first time, will identify state sponsorship as a distinct source of terror financing - a move seen as highly relevant to India's long-standing concerns about Pakistan's role in cross-border terrorism.

### Why This Matters:

- **Rare FATF Condemnation:**
  - This is only the third time in a decade that the FATF has publicly condemned a terrorist attack - underlining the severity and international concern surrounding the Pahalgam incident.
- **Spotlight on State-Sponsored Terror:**
  - The forthcoming FATF report is expected to explicitly acknowledge state-backed entities as terror financiers. This legitimizes India's repeated assertions that Pakistan has enabled and supported terrorist groups operating from its territory.
- **Policy Shift in FATF Approach:**

## FATF condemns Pahalgam attack, to release report on 'state-sponsored terror'

**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.

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."



People in Guwahati protesting against the terrorist attack in Pahalgam, on April 23. RITU RAJ KONWAR

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

### Third in a decade

"It is only the third time in the last decade that they have issued a condemnation of a terrorist attack," the 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 the 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."



## Daily News Analysis

- Historically focused on non-state actors and illicit financial networks, the FATF's move to consider state complicity represents a paradigm shift in how terror finance is conceptualized and regulated internationally.
- **Strategic Leverage for India:**
  - India, which had submitted dossiers urging greater scrutiny of Pakistan's financing networks, is now better placed to press for its re-inclusion in the FATF 'grey list' - a move that can economically and diplomatically constrain Islamabad.
- **FATF's Global Toolkit Expansion:**
  - The introduction of a new Terror Financing Risk & Context Toolkit will allow FATF assessors to better identify jurisdiction-level risk, thereby reducing the scope for countries like Pakistan to mislead or obfuscate during evaluations.

### Implications for India:

- **Counter-Terror Diplomacy Enhanced:**
  - India can leverage the FATF's evolving stance to mobilize global consensus against countries providing material or financial support to terrorist organizations.
- **Legitimacy of India's Narrative:**
  - The recognition of state-sponsored terrorism in a global regulatory framework bolsters India's security narrative at international forums, including the UN and G20.
- **Tightening Domestic Risk Assessment:**
  - India's National Risk Assessment (NRA) already acknowledges Pakistan's state-sponsored terror as a major financing threat. This alignment with FATF gives credibility to India's domestic intelligence and financial oversight apparatus.
- **Impact on Indo-Pak Relations:**
  - This development could further strain bilateral ties and add pressure on Pakistan to rein in terror networks, especially ahead of any FATF review of its compliance status.

### Conclusion:

- The FATF's rare and forceful condemnation of the Pahalgam terror attack and its planned report on state-sponsored terrorism signal a historic shift in global terror financing discourse. For India, this represents a strategic victory, enhancing its moral and diplomatic authority in the fight against terrorism and enabling greater international coordination on security and financial intelligence.

### UPSC Mains Practice Question

*Ques: The Financial Action Task Force (FATF) plays a critical role in global counter-terrorism efforts. Discuss the significance of its evolving stance on state-sponsored terrorism in the context of India's national security concerns. (250 Words)*



The Shipki La Pass in Himachal Pradesh's Kinnaur district, once a thriving trade corridor between India and Tibet, has been reopened to domestic tourism for the first time without permits. While trade remains suspended, the move has revived aspirations for cultural exchange, economic revival, and religious tourism, with potential long-term strategic and diplomatic implications.

# What is the significance of the Shipki La pass?

Why was tourism and trade stopped at the Shipki La pass? What is the cultural and spiritual connection that binds people on both sides of the border? Did the Shipki La pass account for a great volume of bilateral trade between India and China? Will its reopening encourage religious tourism?

## EXPLAINER

**Tikender Singh Panwar**

### The story so far:

**H**imachal Pradesh has opened the Shipki La pass, a motorable mountain pass in the Kinnaur district, to domestic tourists, a step which locals hope will revitalise tourism and trade.

### What is its historical importance?

Centuries before national borders and geopolitical tensions defined regions, the Shipki La Pass in Himachal Pradesh's Kinnaur district served as a vital trade route between India and Tibet (now part of China). Situated at an elevation of 3,930 metres above sea level, the pass has been part of documented trade since the 15th century, although oral histories suggest its legacy extends even further back. According to folklore, cross-border trade was based on an oath sworn by communities on both sides – "Till the water in Kailash Man Sarovar Lake does not dry, a black crow does not turn white, and the highest peak Rijo Pugal does not flatten, this trade agreement shall continue." This poetic pledge symbolised an enduring bond that withstood centuries, until political realities disrupted it.

### Why was the trade route closed?

The once-thriving commerce through Shipki La came to a standstill due to a series of geopolitical events. It was first disrupted after the Sino-India War of 1962, followed by further breakdowns post the Doklam standoff and the COVID-19 pandemic. The trade route remains shut to commercial exchange.

### Why has the recent intervention sparked enthusiasm?

The Chief Minister of Himachal Pradesh inaugurated tourism access to Shipki La without the previously mandatory permit system. Indian tourists can now visit



**New beginnings:** Himachal Pradesh Chief Minister Sukhvinder Singh Sukhu takes part in a performance during the launch of tourism activities, at Shipki La pass in Kinnaur, Himachal Pradesh, on June 10. PTI

using just their Aadhaar card, a move that has stirred optimism across the region.

The communities of Kinnaur, particularly those from Scheduled Tribes and Scheduled Castes, share a deep-rooted cultural and economic relationship with Tibetan counterparts. Historically, the Bushahr State (now Rampur) in India and Guge in Tibet were principal players in the region's trade. The Kinnaur Indo-China Trade Association, based in Reckong Peo, has voiced a formal appeal to reopen the trade route through Shipki La. The Chief Minister has assured that the issue will be taken up with the Ministry of External Affairs.

### What goods were traded?

The commodities exchanged between India and Tibet through Shipki La were

both diverse and valuable.

Imports from Tibet included wool (the most profitable item), pack and saddle horses, goats, sheep, mutton, yak and goatskins, yak hair (used for ropes and saddlebags), devotional items such as prayer wheels, thangkhas, rosaries, and bowls, as well as borax, turquoise, and gold. Exports to Tibet from India included grains such as barley, wheat, rice, millet, lentils, chickpeas, and oil, dried fruits, vegetables, spices, tobacco, timber, copper and brass utensils, and iron tools.

Gold and turquoise were particularly cherished, which were integral to traditional Kinnauri women's jewellery – creating constant local demand and sustaining artisan communities. These exchanges weren't just transactional; they shaped cultural practices, local crafts, and even dietary habits across generations.

### If trade volume is limited, why is there still so much excitement?

It's true that trade through the three land passes with China – including those in Arunachal Pradesh and Uttarakhand – does not account for a significant volume of bilateral trade.

But enthusiasm for trade and tourism lie in connectivity and opportunity. Reopening Shipki La could shorten the journey from Delhi to Mansarovar by 14 days, a potential game-changer for religious tourism and cross-border travel. This could also boost employment for local youth, enhance regional trade infrastructure, and catalyse growth in hospitality and allied sectors.

Additionally, the reopening may serve a strategic purpose as well – a soft diplomatic gesture and a community-led model of cross-border trust-building, independent of high-level state diplomacy. For a region often sidelined in national dialogues, such grassroots engagement could play a crucial role in shaping future peace corridors.

### What is the cultural connection?

Unlike the India-Pakistan border, where cross-border blood relations exist, the India-China border around Shipki La is defined more by shared lifestyles than lineage. The people on both sides are primarily pastoralists, and many surnames overlap – for instance, the Namgyal surname is found both in Leh and across the Tibetan plateau.

Cultural ties also endure through religion. Upper Kinnaur and the adjacent Tibetan region predominantly follow Buddhism, sustaining a spiritual and civilisational continuity even in the face of political divisions. Monastic traditions, festivals, and oral lore reflect a shared heritage that survives despite barriers of nationhood. Reopening Shipki La could become more than a regional story – it might just be a case study in diplomacy through development and heritage.

*Tikender Singh Panwar is former deputy mayor of Shimla, and member of the Kerala Urban Commission.*

## THE GIST

Centuries before national borders and geopolitical tensions defined regions, the Shipki La Pass in Himachal Pradesh's Kinnaur district served as a vital trade route between India and Tibet (now part of China).

The commodities exchanged between India and Tibet through Shipki La were both diverse and valuable.

Reopening Shipki La could shorten the journey from Delhi to Mansarovar by 14 days, a potential game-changer for religious tourism and cross-border travel.

## Historical Significance of Shipki La

## Daily News Analysis

- **Ancient Trade Route:** Shipki La has been a key trans-Himalayan trade route since at least the 15th century, connecting Bushahr State (India) with Guge (Tibet).
- **Symbolic Trade Pact:** Oral traditions narrate a sacred trade agreement, symbolizing enduring cross-border trust and cultural affinity.
  - The route was not merely economic but civilisational, shaping livelihoods, customs, and religious traditions for centuries.

### Why Was Trade Discontinued?

- Trade through Shipki La ceased due to:
  - The Sino-Indian War of 1962
  - Doklam standoff and geopolitical distrust
  - The COVID-19 pandemic
- The pass, like those in Uttarakhand (Lipulekh) and Arunachal Pradesh (Nathu La), remains closed for formal commercial exchange with China.

### Current Developments: Domestic Tourism Begins

- Himachal Pradesh removed the permit system, allowing Indian tourists to visit Shipki La using only Aadhaar.
- The local Indo-China Trade Association has formally urged the central government to reopen trade through the pass.
- The Chief Minister has committed to raising the issue with the Ministry of External Affairs (MEA).

### Cultural and Spiritual Ties

- The region shares a Tibeto-Buddhist heritage with Tibet, including monastic traditions, festivals, and overlapping surnames.
- Reopening the route may support religious tourism to Mount Kailash-Mansarovar, potentially reducing the pilgrimage route by 14 days.
- The pass represents shared pastoral and spiritual lifestyles rather than political borders.

### Economic and Strategic Implications

- **Trade Volume:** While not large in macroeconomic terms, trade via Shipki La sustains artisan communities and strengthens local economies.
- Key commodities included wool, yaks, devotional items, and gold from Tibet; grains, tools, spices, and copper from India.
- **Tourism Potential:** Could boost hospitality, infrastructure, and local youth employment.



## Daily News Analysis

- Strategic Soft Diplomacy: Encourages community-led trust-building in a tense geopolitical landscape — a "peace corridor" model.

### Conclusion

- The reopening of Shipki La to tourism may seem minor in geopolitical terms, but it holds enormous cultural, economic, and diplomatic potential. It reflects a bottom-up model of diplomacy, where local identity, heritage, and livelihoods shape a narrative of connectivity over conflict. In the long run, such gestures can play a pivotal role in confidence-building measures (CBMs) along sensitive borders like India-China.

### UPSC Mains Practice Question

**Ques:** Reopening the Shipki La Pass holds significance beyond trade. Discuss its implications for cultural diplomacy, regional development, and India-China relations. (250 words)



India's Civil Liability for Nuclear Damage Act (CLNDA), 2010, was enacted to ensure prompt compensation for victims of nuclear accidents and to establish clear liability norms. However, the law's unique supplier liability provisions — especially Sections 17(b) and 46 — continue to deter foreign suppliers from entering India's nuclear energy market, leading to delays in strategic projects like Jaitapur and Kovvada. A possible move by the Indian government to ease these provisions reflects an attempt to reconcile investor confidence with public safety and legislative intent.

## 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:

**A**s 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?**

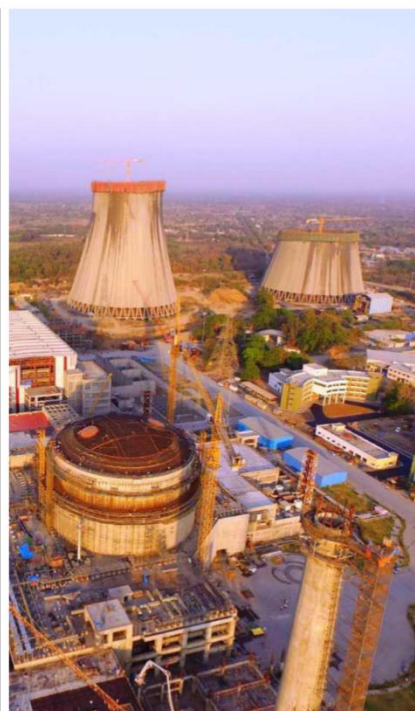
Laws on civil nuclear liability ensure that compensation is available to the victims for nuclear damage caused by a nuclear incident or disaster and set out who will be liable for those damages. The international nuclear liability regime consists of multiple treaties and was strengthened after the 1986 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



**Rising 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, Electricité 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.

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## Key Provisions of the Law:

- **Strict Liability of Operator:**
  - Operators are held strictly liable up to ₹1,500 crore without needing to prove fault. Beyond this, the government may step in up to 300 million SDR (~₹2,300 crore).
- **Right of Recourse (Section 17):**
  - The operator can claim compensation from a supplier if:
    - The contract allows it (17a)
    - The incident results from intent to cause damage (17c)
    - There are latent or patent defects in supplied equipment (17b)
- **Section 46:**
  - Does not limit other civil or criminal liability, raising concerns of unlimited exposure to tort or civil suits outside CLNDA.

## Ambiguities and Challenges:

- **Supplier Liability (17b):**
  - India is the only country to impose statutory supplier liability, diverging from the international norm (CSC) where only the operator bears liability.
  - Creates uncertainty over how much insurance suppliers must carry.
  - Perceived overreach beyond global legal standards.
- **Civil and Criminal Exposure (46):**
  - While intended to allow additional remedies (e.g., criminal prosecution), it undermines legal certainty by potentially subjecting suppliers to unlimited liability under other laws — discouraging investment.
- **Government Position vs Legal Text:**
  - The government maintains that recourse is permissive, not mandatory.
  - Legal experts argue all sub-clauses (17a, 17b, 17c) are independently enforceable, creating legal ambiguity.
- **Impact on Strategic Projects:**
  - Projects like Jaitapur (with France's EDF) and Kovvada (with U.S. partners) have seen no movement, despite signed MoUs.
  - Only Russia's Kudankulam project, initiated before CLNDA, has progressed - highlighting investor hesitation post-2010.

## Why India Introduced Supplier Liability:

## Daily News Analysis

- India's unique approach stems from past industrial disasters- particularly the 1984 Bhopal Gas Tragedy, where corporate negligence and lack of accountability led to mass casualties and no significant reparations.
- Supplier liability was seen as a moral and sovereign imperative to ensure accountability, especially when foreign players are involved.

### Implications of Proposed Easing:

- **Positives:**
  - May revive foreign interest in India's nuclear sector, aligning with clean energy goals.
  - Facilitates technology transfer and diversification of energy sources.
- **Concerns:**
  - Risk of compromising victim compensation mechanisms.
  - May be viewed as dilution of accountability, if not carefully balanced.
  - Could lead to legal challenges if not backed by statutory amendment, especially if done only via executive clarification.

### Conclusion:

- India's nuclear liability regime reflects its historical emphasis on victim rights and public accountability. However, ambiguities in the law - especially around supplier exposure and overlapping liabilities - have hindered global partnerships in the nuclear energy sector. A well-calibrated reform, that ensures investor confidence without compromising public safety, is essential to unlock India's civil nuclear potential in line with energy security and climate goals.

### UPSC Mains Practice Question

**Ques:** India's Civil Liability for Nuclear Damage Act, 2010, seeks to balance public safety with international obligations. Discuss the challenges posed by its supplier liability provisions in the context of India's nuclear energy policy. **(250 Words)**



# India's uneasy balancing act in the Bay of Bengal

India's economic engagements in the Bay of Bengal appear to be entering a new phase. On the face of it, there is reason for quiet confidence. Trade volumes through India's eastern ports are up. Cargo throughput at Visakhapatnam (Andhra Pradesh), Paradip (Odisha), and Haldia (West Bengal) has grown steadily. The signing of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Maritime Transport Cooperation Agreement earlier this year promises to ease regulatory frictions and reduce port costs. For a region long characterised by low trade integration, these are welcome signs.

### The decision on Bangladesh

And yet, the optimism sits uneasily alongside a decision that has raised more than a few eyebrows. In early April, India withdrew the transshipment facility it had granted to Bangladesh – an arrangement that had allowed Dhaka to route exports through Indian ports to third-country destinations. The official explanation was logistical: Indian terminals were congested, and delays were hurting exporters. That may well be true. But in Dhaka, the move was read differently – as a quiet assertion of Indian disapproval, possibly linked to Bangladesh's recent diplomatic overtures toward China. The timing was hardly a coincidence. The announcement came after Bangladesh's interim Chief Adviser, in a speech in Beijing, described India's northeastern States as 'landlocked' and cast Bangladesh as the region's maritime lifeline – a claim that did not sit well in New Delhi. Prime Minister Narendra Modi has repeatedly underscored the strategic and economic importance of the Northeast, with Indian Ministers also championing its role in regional connectivity. The suggestion that these States are dependent on Bangladesh for maritime access struck a nerve.

This came as India has doubled down to position itself as a regional integrator. In recent years, New Delhi has invested heavily in port infrastructure through the Sagarmala programme to improve coastal logistics and connectivity. Cargo movement on the east coast has more than doubled in a decade, aided by policy changes such as Goods and Services Tax (GST) cuts on



**Abhijit Singh**

is the former head of maritime policy at the Observer Research Foundation (ORF), New Delhi

India risks undermining the idea of cooperative regionalism it has sought to promote if it begins using trade access to signal political displeasure

bunker fuel and incentives for coastal shipping. Maritime trade is, by all measures, a national priority.

### Tensions amid reenergised BIMSTEC

At the regional level, India has sought to reinvigorate BIMSTEC. The BIMSTEC Maritime Transport Cooperation Agreement, for instance, aims to harmonise customs procedures and foster multimodal linkages, with the broader goal of reducing the cost and friction of trade within the Bay. For smaller economies such as Bhutan, Myanmar and Nepal, improved access through Indian ports remains a lifeline.

That is what makes the rollback of Bangladesh's transshipment facility seem somewhat jarring. It reintroduces conditionality into what had been presented as a neutral economic architecture – one where trade facilitation serves regional integration, not shifting political winds. For Bangladesh, the impact is immediate: exporters, particularly in the ready-made garment sector (which accounts for over 85% of the country's foreign earnings), will likely bear the brunt. Many had come to rely on Indian gateways for faster, cheaper access to global markets. The alternatives – via Sri Lanka or Southeast Asia – are costlier and less time-efficient. The move injects uncertainty into Bangladesh's export logistics at a time of already fragile demand.

Tensions have since escalated. In mid-May, India placed restrictions on the import of seven categories of Bangladeshi goods, which include garments, plastics, and processed foods, through land ports in the Northeast. These products can now only enter India through seaports such as Kolkata and Nhava Sheva (Maharashtra), which raises costs and delays. Indian officials cited Dhaka's restriction on yarn imports via land routes as justification, though India's revocation of the transshipment facility had preceded that move. Many in Bangladesh, nonetheless, view New Delhi's response as disproportionate.

Some in Delhi argue that Dhaka is being reminded of the risks of strategic hedging. Bangladesh has, after all, stepped up diplomatic engagement with China, reopened maritime trade with Pakistan, and asserted its role as a regional connector. But these are choices Dhaka

is entitled to make. If India recalibrates trade access to signal political displeasure, it risks undermining the very idea of cooperative regionalism it has sought to promote.

This is not just a bilateral issue. What affects Dhaka will be noted in Naypyidaw, Bangkok, and Colombo. The concern is not that India has used leverage – major powers often do. The concern is that India has done so in a domain once insulated from overt geopolitical contest. Maritime trade corridors, once seen as shared infrastructure, are beginning to feel more transactional.

### The issue is about credibility

India still holds many cards. Its port infrastructure remains the most extensive and efficient in the region. Cargo-handling capacity is expanding rapidly, and coastal shipping and multimodal linkages are more developed than those of any other BIMSTEC partner. But infrastructure alone does not confer leadership. In a region as fragmented and wary as the Bay, credibility matters as much as capacity. If neighbours begin to view Indian trade facilitation as shifting with the political winds, they will hedge – and the regional architecture India hopes to build will inevitably stall.

The Bay of Bengal, then, is at an inflection point. On one level, it is a zone of opportunity. With improved connectivity, it could emerge as a self-sustaining corridor between South and Southeast Asia. A proposed BIMSTEC free trade agreement, if concluded and implemented well, could reshape regional trade patterns. On another level, the region remains vulnerable to strategic anxieties. The line between economic policy and geopolitical preference is beginning to blur.

There may still be time to draw that line more clearly. India could clarify the circumstances under which the transshipment arrangement with Bangladesh might be reinstated – or, better yet, replace it with a rules-based mechanism that insulates trade from political cycles. That would send a reassuring signal not only to Dhaka but to the rest of the Bay.

The larger question is whether India can maintain the balance between asserting strategic interests and cultivating regional trust. So far, the signals are mixed.

**Paper 02: International Relations**

**UPSC Mains Practice Question:** India's growing maritime presence in the Bay of Bengal is challenged by its need to balance strategic interests with regional trust. Critically evaluate India's approach to regional connectivity in the light of recent developments with Bangladesh. (250 words)

**Context :**

- India's Bay of Bengal engagement has entered a complex phase. Despite commendable progress in maritime infrastructure and BIMSTEC integration, New Delhi's recent decision to withdraw Bangladesh's transshipment facility and restrict certain imports signals a shift in tone - from cooperative regionalism to a transactional assertion of strategic interests. This move risks unsettling regional partners and undermining India's credibility as a benign regional leader.

**Key Developments and Context:**

- Withdrawal of Transshipment Facility to Bangladesh (April 2025):**
  - Previously allowed Dhaka to route exports via Indian ports for global access.
  - Revoked citing port congestion, but perceived in Bangladesh as retaliation for Dhaka's growing China ties and a remark about India's northeastern states being "landlocked".
- Import Restrictions on Bangladeshi Goods (May 2025):**
  - Affects garments, plastics, and processed foods; now restricted to entry via seaports only, not land routes through Northeast India.
  - Seen as disproportionate and retaliatory, especially amid slowing global demand for Bangladesh's exports.
- Regional Context - BIMSTEC Revitalisation:**
  - India has led efforts to strengthen BIMSTEC and foster a rules-based, integrated regional economic architecture.
  - Initiatives like the BIMSTEC Maritime Transport Cooperation Agreement and Sagarmala aim to improve multimodal linkages and coastal trade.

**Strategic and Diplomatic Tensions:**

- Perceived Political Signalling:**
  - India's withdrawal of economic concessions is viewed as a strategic nudge to discourage Bangladesh's increasing proximity to China and Pakistan.
- Blurring Lines Between Trade and Strategy:**

## Daily News Analysis

- What was once seen as neutral, shared infrastructure is now subject to political recalibration - unsettling smaller BIMSTEC members.
- **Credibility at Stake:**
  - While India has the best port infrastructure in the region, leadership depends on predictable, rules-based engagement, not unilateral action.
- **Impact on Regional Trust:**
  - Moves seen as coercive may prompt hedging strategies by neighbours — undermining the very connectivity ecosystem India aims to lead.

### Implications for India's Regional Ambitions:

- **Positive Developments:**
  - Port infrastructure in Visakhapatnam, Haldia, Paradip is expanding.
  - Coastal cargo movement and shipping incentives have boosted trade volumes.
- **Challenges:**
  - India's actions are creating a perception that access is conditional on political alignment.
  - Could derail BIMSTEC's evolving integration framework, especially the proposed Free Trade Agreement.

### Way Forward:

- **Reinstate or Replace with Rules-Based Access:**
  - Reopening transshipment for Bangladesh with clear, rules-based criteria would signal a return to predictable and inclusive diplomacy.
- **Decouple Strategic Irritations from Trade Facilitation:**
  - Avoid using economic connectivity as leverage, especially in regional groupings where cooperation and consensus are the pillars.
- **Enhance Regional Dialogue Platforms:**
  - Expand confidence-building mechanisms within BIMSTEC to manage emerging frictions without economic fallout.

### Conclusion:

- India's maritime and regional leadership in the Bay of Bengal must be grounded not just in infrastructure and trade, but in predictability, inclusiveness, and trust. Using economic access as a strategic tool may offer short-term leverage, but risks long-term fragmentation of the very regional architecture India seeks to build. Balancing assertiveness with accommodation is essential if India is to be seen not merely as a powerful neighbour, but a responsible regional anchor.
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