

India-U.S. Data Centre Build-Out and Data Sovereignty

Meeting Notes

Convened by:

The Dialogue and
Information Technology and
Innovation Foundation (ITIF)

Scope:

Data centre infrastructure |
Investment | Sustainability |
Data governance | India-U.S. cooperation

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01 | Overview

The third meeting of the Indo-U.S. Tech Policy Working Group examined the rapidly evolving data centre ecosystem in India and the United States, focusing on infrastructure requirements, energy and connectivity, data sovereignty, supply chains, and the role of cross-border investment. The discussion highlighted that both countries face many of the same practical questions: how to expand compute capacity while ensuring reliable energy and connectivity, how to manage local resource constraints, and how to provide greater clarity on data governance and technology access.

Rather than viewing data centre development solely as a question of physical infrastructure, the discussion increasingly situated it within a broader ecosystem encompassing power, water, telecommunications, cloud services, semiconductors, skills, investment, and regulatory coordination. At the same time, data sovereignty is evolving beyond where data is physically stored to encompass access, jurisdiction, infrastructure control, and technological dependencies.

The conversation ultimately pointed towards an India-U.S. agenda centred on greater predictability, infrastructure coordination, trusted technology access, resilient supply chains, and mechanisms that can support investment while responding to legitimate local and national priorities.

02 | Background and Emerging Context

In the United States, the expansion of data centre capacity is being driven by growing demand for AI and digital services. The discussion identified **energy availability, grid infrastructure, permitting, and local decision-making** as principal factors determining how quickly new facilities can be developed. While construction timelines for data centres can be relatively short, strengthening grid capacity and securing interconnection can take considerably longer, creating a potential mismatch between infrastructure demand and the availability of supporting power infrastructure.

The U.S. experience also illustrates the importance of coordination across levels of government. States and local authorities are increasingly considering questions around siting, energy requirements, water use, disclosures and community impact. This has created a parallel conversation about how national objectives around AI and digital infrastructure can be reconciled with local planning and resource considerations. The panel discussed transparency around operational requirements, infrastructure needs, and community impacts as a way to strengthen public confidence.

India is experiencing a similar expansion, although its policy framework remains substantially state-driven. Different states have adopted policies and incentives to attract data centre investment, while questions are emerging about the geographic concentration of facilities, the availability of energy and water, transmission infrastructure, and the need to optimise the location of different types of AI workloads. The discussion also considered whether a stronger national framework could improve coordination between central and state governments while retaining flexibility for state-level implementation.

03 | Key Challenges

Several interconnected challenges emerged from the discussion:

- **Infrastructure and grid capacity:** Power availability is becoming a central determinant of data centre expansion. In both countries, the challenge extends beyond generation to transmission, distribution, storage and interconnection. Infrastructure planning therefore needs to anticipate data centre demand rather than respond only after projects have been committed.
- **Resource availability and sustainability:** Energy and water are important considerations for data centre development. Technological changes, including more efficient and closed-loop cooling systems, may reduce resource requirements, but infrastructure costs and clean-energy availability remain relevant considerations.
- **Geographic concentration:** India's data centre capacity remains concentrated in a relatively small number of major urban centres. The discussion suggested that future planning could consider a more distributed architecture, including differentiated locations for training and inference workloads, while accounting for connectivity, power availability, and local conditions.
- **Community engagement and transparency:** The meeting considered reports of local concerns around water availability, land use, environmental clearances and other community impacts in parts of India. At the same time, participants noted that such concerns do not necessarily translate into opposition to data centre investment as a whole. A recurring theme was the importance of clear, accessible information about resource use, infrastructure requirements and the wider economic and digital ecosystem supported by data centres.
- **Understanding sovereignty:** Data residency and technological sovereignty are increasingly distinct concepts. Locating infrastructure within national territory can provide physical residency without necessarily resolving questions concerning who can access data, which laws apply, who operates infrastructure, or where critical technological components originate.
- **Cross-border data flows:** As AI systems increasingly depend on distributed infrastructure, restrictions on data flows can affect multiple stages of the AI lifecycle, including training, fine-tuning, model operations, technical support and associated services. The discussion therefore highlighted the importance of distinguishing legitimate security and control objectives from requirements that could unintentionally constrain the wider digital ecosystem.
- **Supply-chain resilience:** Data centre expansion depends on a broad range of inputs beyond advanced computing chips, including servers, racks, cooling equipment, connectivity infrastructure and memory components. Ensuring reliable access to these inputs will become increasingly important as AI infrastructure scales.

04 | Areas of Convergence

The discussion revealed several areas where the Indian and U.S. experiences appear to overlap:

- **Infrastructure must develop alongside investment:** Attracting data centre investment is only one part of the equation. Grid capacity, transmission, connectivity, land, water and workforce planning need to develop alongside new facilities.
- **Predictability supports investment:** Participants emphasised the value of clear and durable policy frameworks. In the U.S. context, the discussion noted that executive actions can change with administrations, supporting more durable requirements and coordination mechanisms. Similar considerations are relevant when developing longer-term infrastructure policy elsewhere.
- **Sovereignty can have multiple dimensions:** The conversation moved beyond treating sovereignty as physical localisation. Trusted access, operational control, security architecture, data governance and resilience can all form part of a broader sovereignty framework.
- **Technology and infrastructure are interconnected:** Data centres cannot be considered independently from cloud services, connectivity, semiconductors, energy systems and AI models. Decisions taken in one part of the ecosystem can affect the economics and resilience of the others.
- **Public-private coordination is important:** With private investment playing a substantial role in expanding AI and data centre infrastructure, government and industry coordination can help align investment with infrastructure planning and local priorities. The U.S. discussion particularly highlighted the importance of public-private partnerships in addressing infrastructure and community-level constraints.

05 | Constructive Pathways

The discussion identified several potential areas for deeper India-U.S. cooperation:

- **Greater clarity on data access and sovereignty:** Develop a clearer bilateral understanding of the distinction between physical data residency and jurisdictional access. A possible approach discussed was a differentiated framework under which particularly sensitive categories of data could receive stronger localisation and control safeguards, while other categories could benefit from trusted cross-border infrastructure and services.
- **Streamlined data centre supply chains:** Explore mechanisms to facilitate the movement of critical data centre equipment, including high-density computing systems, cooling equipment and server infrastructure. Greater alignment of standards, certifications and customs processes could help reduce avoidable delays as infrastructure scales.

- **Joint approaches to infrastructure finance:** Consider opportunities for bilateral or multilateral financing to support grid upgrades, transmission infrastructure and clean-energy capacity associated with data centre development. Such mechanisms could help address infrastructure bottlenecks that sit outside the direct control of individual facilities.
- **Better coordination of data centre siting:** Encourage earlier information-sharing between data centre developers, utilities, connectivity providers and governments so that power, transmission and network infrastructure can be planned in parallel with facility construction. The U.S. experience similarly points to the importance of coordinating permitting and interconnection rather than treating them as separate processes.
- **Strengthen transparency and community engagement:** Establish clearer mechanisms for communicating data centre requirements and impacts, particularly concerning energy, water, cooling technologies, employment and local infrastructure. Greater transparency can help communities understand both the resource implications and the wider digital and economic activity enabled by data centre infrastructure.
- **Build a broader ecosystem around compute:** The benefits of data centre expansion extend beyond the facilities themselves. Connectivity, cloud services, local digital adoption, workforce development and supporting industries can all form part of the wider ecosystem. A more comprehensive approach to communicating and planning for these spillovers could help connect infrastructure investment with broader economic and technological objectives.

06 | Outlook

The meeting reflected a broader transition in the way data centre infrastructure is being understood. What was once largely treated as a question of physical facilities and server capacity is increasingly becoming an integrated policy question involving energy, connectivity, supply chains, data governance, AI infrastructure and local development.

For India, the scale-up of data centre capacity creates an opportunity to develop a more coordinated national framework while continuing to leverage state-level investment and implementation. For the United States, ongoing debates around grid capacity, permitting, community engagement and infrastructure financing offer experiences that can inform similar conversations elsewhere.

For both countries, the emerging question is not simply how to build more data centres, but **how to build an infrastructure ecosystem that is reliable, sustainable, connected and sufficiently flexible to support evolving AI workloads**. The discussion suggested that closer India-U.S. cooperation could focus on practical areas, such as, data access frameworks, infrastructure finance, supply-chain facilitation, connectivity and standards, while allowing each country to retain its own regulatory and policy priorities.

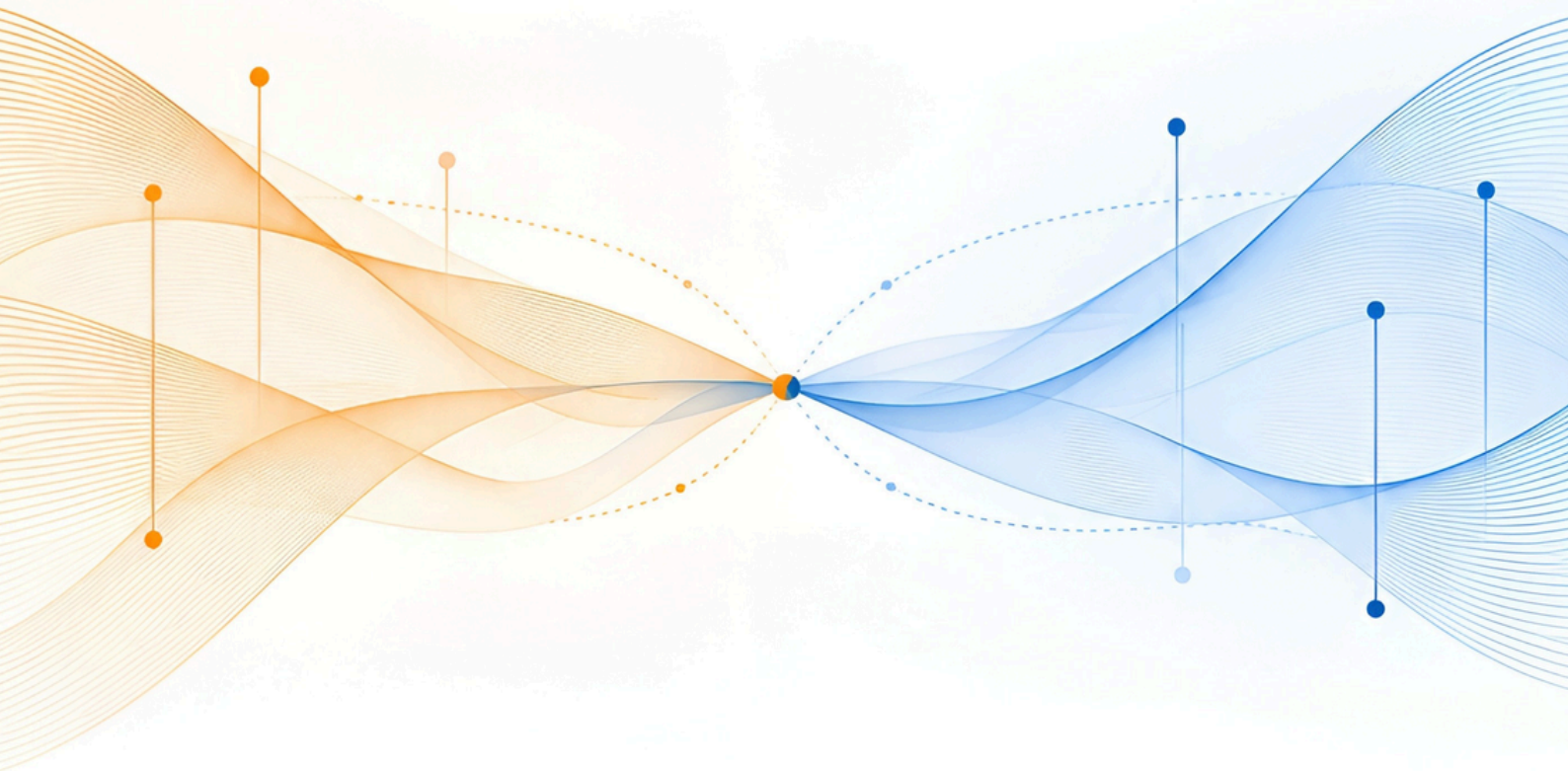
The meeting therefore pointed towards a model of cooperation built less around complete technological self-sufficiency and more around **trusted access, resilience, diversification and coordinated**

infrastructure development. As the next phase of the India-U.S. technology dialogue develops, these issues are likely to become increasingly interconnected, particularly as both countries consider how to translate growing AI investment into durable digital infrastructure.

INDO-U.S. TECH POLICY WORKING GROUP



Advancing dialogue on the issues shaping
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