India–US Trade Pact Opens GPU Access and Data Centre Investment Opportunities

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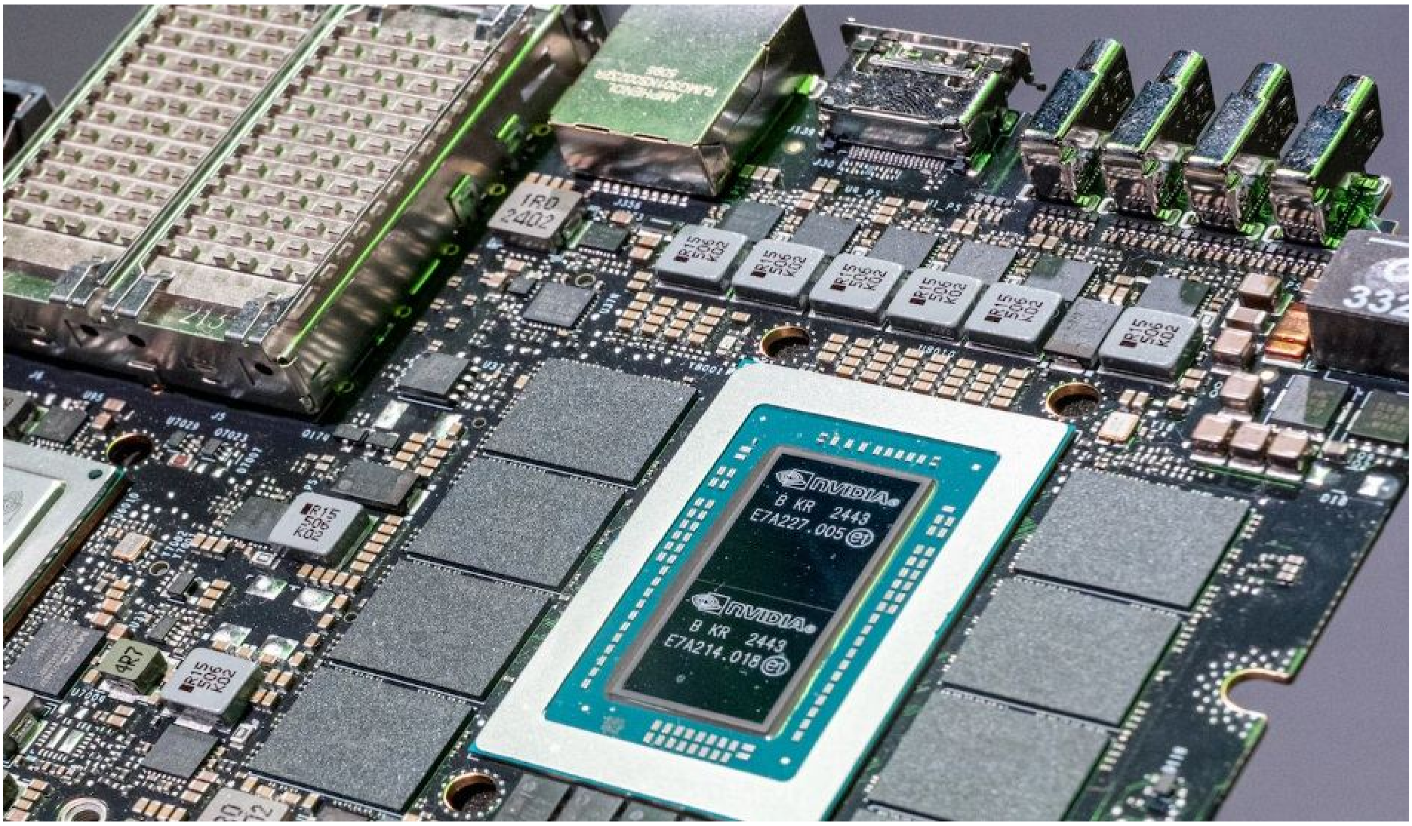

GPU Access and Data Centre Investment Latest News

- Under their interim trade agreement, India and the United States have agreed to significantly expand trade in technology products, particularly **Graphics Processing Units (GPUs)** and other equipment critical for data centres, alongside deeper joint technology cooperation.
- The move aligns with India's broader push to strengthen its digital and AI ecosystem. New Delhi has announced a **tax holiday** for foreign firms setting up data centres, reduced budgetary support under its flagship AI mission—shifting focus from subsidies to market-driven investment.
- It is witnessing a surge in iPhone exports, signalling growing integration with global technology supply chains.
- As India **lacks domestic GPU manufacturing** capacity, it will rely heavily on imports, primarily from US-based firms such as Nvidia, to meet the rapidly rising compute demand of AI startups developing models and applications.
- The agreement is expected to improve access to high-end computing hardware while positioning India as an attractive destination for data centre investments.

On GPUs: A Positive Shift for India’s AI Ambitions

- The **IndiaAI Mission** saw its allocation reduced to ₹1,000 crore for 2026–27, down from ₹2,000 crore in the current fiscal, raising concerns about India’s AI momentum.
- The ₹10,370 crore mission aims to **subsidise GPU access** for startups and researchers developing AI models.
- So far, around **40,000 GPUs** have been installed under the mission—widely seen as inadequate, especially when compared to the massive compute capacity available to leading American AI companies.

India–US Trade Deal Offers an Alternative Route

- The India–US interim trade agreement to increase trade in GPUs offers a market-driven alternative to public subsidies.
- Since India lacks domestic GPU manufacturing, improved access to imports—primarily from US firms—can help bridge the compute gap for Indian startups.

Contrast with Biden-Era Export Controls

- This marks a clear departure from the approach under former US President Joe Biden.
- Before leaving office, the Biden administration introduced **stringent export controls** on GPUs, placing limits on the number of GPUs India could import, citing national security concerns.
    - These restrictions were part of a broader global framework.
- After President Donald Trump took office, the framework was set aside, easing access for partners like India.

Escaping China-Style Technology Restrictions

- From a strategic standpoint, India has secured favourable terms:
    - It has avoided China-style export controls, under which Beijing is barred from importing the most advanced GPUs
    - Although US restrictions on China have seen some recent dilution, they remain far stricter than those applied to India
- This positions India as a trusted technology partner, rather than a restricted market.

India Meets Key US Demand on Data Centres

- Data centres have emerged as a major pillar of India–US technology cooperation. In a significant policy move, India announced a **tax holiday until 2047** for foreign companies setting up data centres in the country, addressing a long-standing US demand.
- This incentive was announced in the Union Budget and signals India’s intent to position itself as a global hub for digital and AI infrastructure.

US Demands in Trade Negotiations

- During bilateral trade talks, the **United States** sought:

    - Greater **market access** for US data centre companies
    - **Tax incentives**
    - Affordable access to **land, electricity, and water**
    - **Duty exemptions** on select imports
- By offering a long-term tax holiday, India has acted on one of the **core US asks**, strengthening the investment climate for foreign tech firms.

Major US Investments Announced

- Several US technology giants have announced large-scale investments in India's data centre ecosystem:
    - Google: Announced a $15 billion investment (October) to build a 1 GW data centre in partnership with Adani Group.
    - Microsoft: Committed $17.5 billion (December), primarily focused on AI data centres.
    - Amazon: Plans to invest $35 billion over five years in India, with a significant portion expected to support data centre expansion.
- These investments are driven by the surging compute demand of artificial intelligence.

India's Data Centre Market Outlook

- Current market size: ~$10 billion
- Revenue in FY24: ~$1.2 billion
- Capacity addition: 795 MW of new capacity expected by 2027; Total capacity projected to reach 1.8 GW.

A $100 Billion Opportunity for India's Electronics Sector

- The reduction of US tariffs on Indian goods from 50% to 18% has opened the door to a major expansion of India's electronics manufacturing sector.
- Industry estimates suggest India–US electronics trade could reach **$100 billion**, driven by improved market access and smoother technology flows.

Electronics Exports Gain Momentum

- Electronics have emerged as a key growth engine for India:
    - Exports in 2024–25: ₹3.27 lakh crore (≈ $38 billion)
    - Largest export market: United States
- The new trade framework is expected to accelerate export growth and deepen integration with global value chains.

Employment and Industrial Footprint

- India's electronics manufacturing sector:
    - Employs over 2 million workers directly
    - Is concentrated in Tamil Nadu, Karnataka, Uttar Pradesh, and Maharashtra
    - Supports a broad ecosystem of component suppliers, assemblers, and technology service providers

Source: IE | IE

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