

A Prospective Settlement for the AI Grid

Draft — prospective. Not a proposal in force; a worked set of terms offered for argument. An introduction through a single case. Version 2026-06-24e

A note on sources: the facts below come from dated outside reporting and official statements, cited as they appear. Nothing is sourced to this proposal's own documents. Where the proposal's framework is used to read those facts, that is said plainly.

One case

In September 2025, Microsoft switched off part of a government's access to cloud and AI services it had been running on. The customer was an Israeli military intelligence unit. The company said the unit had broken its terms of service by using the platform to store mass-surveillance data, and Microsoft's president said publicly that the company does not provide technology to help with the mass surveillance of civilians. The unit's own position was not put on the record: the IDF gave no official comment, though an Israeli security official said there was no damage to the military's operational capabilities, and Israeli commentary described the program as a counterterror measure. Reporting called it the first known case of a major American tech company cutting off Israeli military access to its products during that period.

Sources: Microsoft statement (Brad Smith), 25 September 2025; The Guardian and Times of Israel, 25 September 2025; Israel Democracy Institute, 28 September 2025.

What the unit was doing, and whether Microsoft was right, are questions this note can't settle and doesn't try to. It can't settle Gaza either.

It asks a smaller question, and the smaller one holds up whatever you conclude about the rest.

The only rule was the company's own. A private firm switched off a state, under terms it wrote itself, read by its own lawyers. Nobody outside the company reviewed the call. The customer's remedy was to sue, in an American court, over a contract the company had drafted. That is not nothing. It is just not available to most countries, and it isn't available to anyone in the days that matter.

If you think the decision was right, you're counting on a company having landed where you would have landed. Nothing makes it land there next time. If you think it was wrong, you have nowhere to take that. The same thing is missing either way. An Israeli policy institute reached the same conclusion from the opposite direction, calling the episode a kill switch held over national security infrastructure.

Why this is not one country's problem

The world runs on a handful of cloud and AI systems, most of them American-owned. Hospitals run on them. So do banks, power grids, and defense ministries. Three things about that are worth sitting with.

Nobody insures it. Global cyber insurance takes in roughly \$15 billion a year in premiums, by Munich Re's estimate. A single faulty software update in July 2024 took down millions of machines and was estimated to have cost Fortune 500 companies alone something above \$5 billion — one vendor, one bad file, a matter of hours, no attacker involved. Nothing on the market can absorb a multi-day failure across the major clouds, and no government has said it would cover the gap. The hospital and the bank and the ministry each eat what lands on them.

It lands hardest on friends. The countries wired most deeply into American infrastructure are America's closest allies. Rivals running their own systems are, by definition, less exposed.

And the leverage isn't only the companies'. Microsoft chose to cut. It could also have been ordered to. These firms sit in one country, and an export control or a sanctions listing reaches them the day it's signed. Everyone outside the United States is running on infrastructure a single government can reach into without asking.

What a country does when there is no rule

Watch what happened next, because it's what any government would do.

Israel had already bought insurance against exactly this. Reporting on leaked documents for Project Nimbus, the roughly \$1.2 billion cloud deal it signed with Google and Amazon in 2021, says the contract keeps those providers from cutting off Israeli government access — terms officials reportedly wanted because they worried the companies might walk away under pressure from their own staff or shareholders. Israel's Finance Ministry disputed how the contract was described but wouldn't release its terms. When Microsoft cut the unit off anyway, the data had been backed up in advance and nothing was lost, according to Israeli military officials. The material was then moved out of the country where it had been held, with sources describing a plan to shift it to a different hyperscale provider. And in June 2026 the government approved a National AI Program aiming at 100,000 processing units, sovereign AI infrastructure among its goals, at a reported cost running to \$20–30 billion or more.

Sources: The Guardian / +972 Magazine / Local Call, October 2025; Business Standard, 30 October 2025; Jerusalem Post, 30 October 2025; Times of Israel, 25 September 2025; The Guardian, September 2025; Ynet, 25 June 2026.

None of that is a rule. None of it covers anyone but one country, and none of it is public. A country without the money or the standing to demand those terms gets none of them. That's what an ungoverned setup produces: private deals for whoever can cut them, and at the end a second stack so expensive only a rich country can build it.

What a settlement would do

What follows is one worked set of terms — a treaty instrument, with a standing body to administer it and a fund it collects into — for governing this infrastructure instead of leaving it to private discretion. Four moving parts, each answering something above.

A price on the risk. A fee on providers above a size threshold, built the way large banks are made to pay into a fund against their own failure. Concentration creates a risk the public currently absorbs for nothing. The fee prices it, and the fund it builds is what pays for the two guarantees below. Without it they're promises with no balance sheet behind them.

Shared governance. The rules of service written jointly by the states and providers in it, rather than by a few firms alone. The work is writing standards in advance, not judging incidents as they happen — which matters, and the next section explains why.

A continuity guarantee. A country that depends on this keeps running even if its service is cut. That's what got bought privately and quietly in the case above. A settlement makes it public and gives it to every party on the same terms.

A floor of universal access. Part of the fund pays for access for countries that would otherwise be priced out completely, having no leverage to bargain with at all.

Any state can join, rivals included, on the same binding terms. This isn't a bloc aimed at anyone. A rival joins because a guarantee it can rely on is worth more to it than our freedom to cut it off is worth to us.

The best argument against this

Two objections, and the second is worse.

The first: if a continuity guarantee means a dependent country keeps running no matter what, doesn't it also protect conduct a provider might be right to refuse? Wouldn't it have stopped Microsoft?

In that case, probably yes. Under these terms the unit most likely keeps its access while a standing rule gets applied to it. Guaranteeing capability isn't granting impunity — membership binds a state to obligations it currently owes no one, and breach is grounds for cutting service. But the cut comes against a published rule, which is slower than a company deciding on a Tuesday.

The second objection is the real one. A body containing the United States, China, Israel and the Gulf states will never agree to cut anyone off. Deadlock isn't a flaw that shows up in hard cases; hard cases are the only cases it would see. So a settlement may amount to taking the power to cut away from private discretion and quietly retiring it.

The answer is that the body's work is writing rules, not judging incidents. Banking supervision doesn't function because a committee meets during the run. It functions because the capital rule was set years earlier and applies without a vote. A settlement that tries to adjudicate Septembers as they happen will fail. One that sets the conditions of service in advance, and lets them bind automatically, doesn't need agreement in the moment.

Where this came from

This came in through workers. The building trades are the ones physically putting this up, pouring the concrete and wiring the substations. That gives labor a real position for a short while, before the thing is finished and the terms have hardened. The open question is whether that position gets spent on wages alone or used to shape who owns and runs what gets built.

A fair question is why any capable country would join a body that can cut it off when it could buy a stack that can't. The answer is the \$20–30 billion, and the years — and the fact that most countries will never have either.

One condition isn't hidden. The infrastructure is American, so a settlement like this would need a renewed, pro-democratic United States to build it. No proposal can wish that away. What can be done now is write the standard down, so that when the politics turn, the demand already exists in a form someone can sign.

In short

A company switched off a country, under rules it wrote itself. The country answered with quiet contract terms and its own backups, moved its data to a competitor, and has now committed to spending tens of billions building a stack of its own. It could do all of that only because it could pay for it.

That's what happens when critical shared infrastructure has no rules.

What follows is one worked account of what governing it instead might look like. It's offered to be argued with.