

A Stronger Binational Ecosystem

C26+ Entrepreneurship & Innovation Working Group

Introduction

Mexico is experiencing a strong momentum for entrepreneurs. Companies have flourished and attracted venture capital from around the world, notably from the U.S. There is great opportunity to seize this buoyancy period mainly on e-commerce, logistics, artificial intelligence, tech-related industries (e.g., health-tech, fintech, pro-tech, biotech, insure-tech, etc.), software development, telecommunications, among others.

To further the U.S.-Mexico ecosystem, it is needed a renewed binational, independent multistakeholder community that enables initiatives, funding, scholarships, professional development, training camps, workshops, and business delegations. From 2013 to 2018, the Mexico-United States Entrepreneurship and Innovation Council (MUSEIC) helped achieve these goals, now it is time to step up the efforts.

The **C26+ Entrepreneurship & Innovation Working Group** met in October 2021 to discuss and create *actionable recommendations* for policymakers and the private sector towards strengthening the entrepreneurship ecosystem and sparking innovation in Mexico and the U.S.

An evaluation on the main issues

The Mexican ecosystem faces burdens that limit the competitiveness and the growth of a true binational entrepreneurial and innovative community, namely:

- **Unequal access to professional networks:** Entrepreneurship communities in Mexico are hard to get in and tend to exclude middle and low-income entrepreneurs, as well as women and minorities.
 - There are two main types of entrepreneurs, the ones born and raised in a community with access to capital, networks, and elite universities; and the ones with the drive and enthusiasm to create and innovate but with no connections or funds. The first group dominates the sector.
- **Asymmetric capital allocation:** Just a few Mexican startups concentrate the majority of funds that so far account for over 3 billion USD.
 - Local funds have been struggling during the last few years due to uncertainty, foreign competitors, and lack of government support. It has been four years since the last venture capital fund was created in Mexico.
 - The United States International Development Finance Corporation (DFC) and the Economic Development Administration (EDA) have not been able to fund significant projects in Mexico.
- **Absence of a governmental agency for entrepreneurship:** After the dissolution of the National Institute for Entrepreneurship (INADEM, in Spanish), local and foreign stakeholders lack of a single point of contact with the federal government to address issues in the sector. Moreover, there is not a defined agenda for the future.
- **An unbalanced talent pipeline:** while there is talent in Mexico, specialized professionals in big data, machine learning and robotics are scarce. In contrast, in U.S. large and mid-cities host clusters and incubators with un-used capacities.
 - Mexico is the first trade partner of the U.S., but there are only 15,000 Mexican students in the U.S. The private sector needs to provide greater support for Mexican students in undergraduate and graduate school.
- **Unawareness of counterparts:** while there is great interest in U.S. institutions to work with its Mexican counterparts and vice versa, there is unfamiliarity with the projects, stakeholders, and available technologies in both sides of the border.

Recommendations

The Mexican and U.S. ecosystems would greatly benefit North America's competitiveness by:

Invigorate talent, education and networks

- Support students who pursue foreign education and want to expand their networks. Mexican companies and governments at all levels ought to implement a Diversity, Equity and Inclusion (DEI) approach to the grants, scholarships and fellowships they offer.
- Create an inventory/catalogue of the available resources and programs in U.S. and Mexican universities that support entrepreneurship & innovation and foster connections between those in need and those who can offer.
- Strengthen and promote cross-border programs where students and early-stage entrepreneurs can come up with ideas to improve conditions. Likewise, encourage dialogues, exchanges and internships during the formation of the future entrepreneurs.
- Create a visa for entrepreneurs to allow foreigners seize and contribute to the Mexican momentum while increasing the economic revenue in the country.

Capital allocation

- Corporations with presence in both countries can implement Accelerator Programs to turn Small and Medium Enterprises (SMEs) into its suppliers, which also would contribute to the growth of North American supply chains.
- Pension funds can support entrepreneurs, but it is necessary to come up with innovative, well-designed vehicles with mentoring programs and solid guarantees to offset the risk. This can be explored as a binational initiative.
- Cast projects on fintech, climate change, gender, and southern Mexico development to the U.S. DFC.

Public-Private Partnerships

- Relaunch or update efforts such as NOBI (Binational Nodes of Innovation), to give mentorship and incubation to science-based projects. This could be done through public-private partnerships with local governments, research centers and companies.
- Establishing a Bilateral Entrepreneurship Committee, a single agency for innovation where Mexican and U.S. entrepreneurs can benefit from knowledge sharing, mentorship, networking, and access to seed capital. It can be funded by governments and the private sector.
- Advocate for the creation of the Social Enterprise category to attract other types of funding. Due to their own nature, these companies would help close the inequality gaps and address social objectives while creating wealth.
- Sponsor international summits & conferences that attract world talent and cutting-edge technologies.

Conclusion

Despite not being currently promoted by the government, the Mexican ecosystem is diverse, vibrant, and attractive for foreign capital coming from the U.S. There is currently an awareness that if Mexico does well, so will the United States. Local & federal governments ought to work with companies of all sizes and the civil society to create a state-of-the-art mechanism for bolstering entrepreneurship and innovation.

Mexico and the U.S. should capitalize on their un-used but complementary capacities to spur innovation in the most dynamic region of the world, which would lead to more competitiveness while greatly benefiting its citizens.

This paper contains the insights and recommendations of the C26+ Entrepreneurship & Innovation Working Group, a community of Mexican and American stakeholders with expertise and knowledge on the topics, eager to support and help further U.S.-Mexico collaboration.

María Ariza, BIVA

Rodrigo Bettini, Milken Institute

Monique Casellas, UC San Diego

Isabel Clavijo, Prodensa

Hernán Fernández, Angel Ventures

Luis Garza Sada, Advenio

Antonio González, Instituto Yucateco de Emprendimiento

Marinieves Lanzagorta, AMAFORE

Camila Lecaros, MassChallenge Mexico

Ricardo Mora, Technology Hub

Ulrick Noel, Asociación de Emprendedores de México (ASEM)

Diana E. Páez, William Davidson Institute at the University of Michigan

Nomara Parra, Televisa Foundation

Enrique Perret, U.S.-Mexico Foundation

Santiago Salinas, BIVA

Manuel Sescosse, Miroculus

The work of **C26+ Group** is a multi-stakeholder forum where ideas, initiatives and interests converge to 1) make policy recommendations and proposals that contribute to the implementation of USMCA by the U.S, Mexico, and Canada governments through the next five years, after which the first review of the agreement is set to occur; 2) advance binational and trinational initiatives that foster competitiveness in the region and; 3) create a trinational community on innovation, entrepreneurship & technology.

For any additional questions, please contact us info@usmexicofound.org.