

## Opinion: Rethinking Mexico and its ties to Silicon Valley

**Neighboring nation's young venture capital industry is growing rapidly**

Sean Randolph – July 3, 2021

When Americans think about Mexico many things may come to mind — immigration, cartels or perhaps beaches. Technology and innovation are probably not on that list but reflect that a new reality is taking hold across Mexico — led by investors, entrepreneurs and leaders in states and cities — that is moving Mexico onto the map of U.S. technology and innovation partners. In this transformation, Silicon Valley's role looms large. Here's why.

Mexico's young venture capital industry is growing rapidly. From \$55 million in 2010, annual investment has grown to more than \$1 billion. Softbank's \$5 billion Innovation Fund, created several years ago to invest in Latin America, was a turning point that put Mexico on the global venture map. Now the country boasts unicorns and fast-growing startups. More are on the way, supported by universities, accelerators and by large tech and startup conferences such as Talent Land in Guadalajara and INCmty on Monterrey.

This activity is concentrated in a number of states and cities that are strengthening their base in R&D and are working hard to build local innovation systems. The most noteworthy are Tijuana, Juarez, Monterrey, Mexico City and Guadalajara, as well as Merida (in Yucatan) and states in the central El Bajio region. Each has distinct features:

- Mexico City, home to the national government, top universities, leading companies and most of its venture capital industry is building its digital capacity and benefits from sheer size.

Tijuana and Juarez have nascent startup systems but massive manufacturing capacity that is looking to move upscale, and binational economies closely linked to the United States.

- Monterrey, Mexico's business and industrial capital, has similar assets as well as vibrant universities, growing venture activity and a dynamic entrepreneurial culture.

- Guadalajara, Mexico's technology capital, hosts 1,000 high technology companies employing 150,000 workers and the advanced research centers of leading global companies including Silicon Valley leaders such as Oracle and Intel.
- Yucatan and El Bajio aren't as far along in developing their startup systems but are ambitious — El Bajio as a center for advanced manufacturing with a strengthened IT and R&D component, and Yucatan is emerging as a center for offshore IT services.

One characteristic that these places share in common is strong higher education and a large base of skilled engineers: Mexico City concentrates research and academic talent and is home to Mexico's key scientific institutions and Latin America's largest university; 27% of the students graduating each year from Tijuana's universities are engineers; Monterrey's top universities have 82,000 students enrolled in science, technology and engineering programs, with 26,000 at the graduate level.

On top of its engineering base, Mexico offers the advantage of proximity. Tijuana is two hours by plane from Silicon Valley, and Guadalajara can be reached by air in three hours compared to 15 to 17 hour flights for Bangalore and Shanghai.

Mexico's evolution as a technology and innovation center is a work in progress. While venture investment is up, it's still small compared to China, India or Europe, and the list of high-profile startups is short. To attract more investment and take advantage of the opportunity to nearshore production from China, Mexico needs to show that it can provide favorable investment conditions, as well as stability and security. But across Mexico's leading states and cities, the trend is positive.

Silicon Valley technology companies should take a closer look at what this new side of Mexico has to offer, and venture investors should start to look more closely at Mexico as an emerging source of fast growing and investible startups.

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