

THE BOTTOM LINE

Singapore's unlikely rise as a digital tech powerhouse

By Metta Ni, Augustin Boey and Neil Lee

FOR decades, Singapore has been held up as a model of successful state-led economic development. However, many doubted whether this top-down approach could succeed in the rapidly evolving digital economy, where nimble entrepreneurship is often seen as more important than long-term government planning.

Despite doubts about Singapore's struggles to nurture a thriving tech sector in the late 2000s, the city-state has now emerged as a global powerhouse in scaling up digital technology firms more than a decade later. How did this transformation happen?

Our new research sheds light on Singapore's journey. We found that the key was the government's ability to coordinate a diverse ecosystem of actors – a capability we term “network coordination”.

When information and communications technology advances opened up new global opportunities in digital technology in the 2010s, Singapore policymakers were quick to spot the potential.

They then combined the country's existing strengths – its strategic location, open economy, and business-friendly en-

vironment – with active state intervention.

Crucially, the government worked to address the coordination challenges inherent in building an entrepreneurial ecosystem from scratch. Rather than trying to directly control the process, they facilitated collaboration across different agencies and stakeholders.

This “network coordination” approach allowed Singapore to overcome the Catch-22 that often stymies policymakers' efforts to stimulate new hubs of innovation.

By bringing together universities, investors, multinational firms, local startups, as well as tech hubs from key overseas markets, the government helped catalyse the connections and support structures needed for digital tech companies to thrive in Singapore and abroad.

Active stewardship

Notably, Singapore's digital economy has also been shaped by active government stewardship – championing anchor tenants such as South-east Asia's leading superapp Grab and tech conglomerate Sea, using state finance to stimulate venture capital, and closely engaging with entrepreneurs to provide resources and access.

The results speak for themselves. Sin-

gapore is now home to a vibrant community of digital tech firms, ranging from Trax in computer vision to Matrixport in fintech. The city-state has also produced some of South-east Asia's most successful unicorn companies, such as Patsnap and Carousell.

Of course, Singapore's success is not unbridled. Overall entrepreneurship rates remain relatively low, and the country has struggled to nurture frontier “deep-tech” firms at the cutting edge of innovation. Much of the growth has also been focused on consumer-facing applications and non-Singaporean markets.

However, the broader lesson is clear: A state-directed model need not be a barrier to thriving in the digital economy.

By adapting its approach to the new demands of the 21st-century economy, Singapore has demonstrated how an active, coordinating role for government can complement, rather than constrain, the dynamism of entrepreneurship.

This has implications not just for Singapore, but for other economies seeking to emulate its success. As the global technology landscape continues to evolve rapidly, policymakers must be willing to experiment and rethink conventional wisdom.

In Singapore's case, this flexibility al-

lowed the city to pivot from a traditional “developmental state” model to what we call a “scale-up state” – one that fosters the growth of high-potential digital tech firms rather than just attracting large multinationals.

The key was recognising that the state's role should be to facilitate and coordinate, not impose top-down control.

Reinvention

Making this shift is easier said than done. It requires a delicate balance, with the government playing an active yet light-touch role.

Singapore has shown that this is possible. By bridging the divide between state-led planning and entrepreneurial dynamism, it has carved out a distinctive model for thriving in the digital age.

The rise of Singapore as a digital tech powerhouse is testament to the city-state's ability to constantly reinvent itself.

From an entrepot trading hub to an advanced manufacturing base, and now to a scale-up state for the digital economy, Singapore has time and again demonstrated its capacity to turn perceived weaknesses into strengths.

Nonetheless, Singapore must continue adapting its playbook to stay ahead of the

curve. Policymakers should double down on network coordination and forge tighter linkages between government agencies, research institutes, corporations, startups as well as other global tech hubs. It is also crucial to pay greater attention to nurturing local talent pipelines and enhancing access to growth capital for ambitious founders.

The question is whether this success can continue. The Singapore government is already pushing forward with the next great technological change, as artificial intelligence becomes increasingly important. This next phase of technological change puts a premium on deep tech and change will be even more rapid.

Singapore's unique system has worked well with the first phase of the digital revolution, but it will need to work even harder to succeed in the next.

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