The Rise of Blockchain in APAC
Introduction

By now, everyone is at least a little familiar with the digital ledger technology that is blockchain. But around the world, some economies are championing this unique technology more and faster than others. For instance, blockchain growth in the Asia-Pacific region far surpasses that seen in other economies.

Within APAC, government and private companies are working together to deliver more effective solutions, including enhancements to supply chains, charity donations, fraud prevention and Know Your Customer (KYC) obligations, and much more besides.

In this report, we'll get you up to speed on how blockchain has transformed the APAC region. Here are the key areas you'll find:

- The State of Blockchain in 2020 APAC
- Movers & Shakers: Blockchain Use Cases in APAC
- Market Impact of Blockchain
Back in 2017, it was difficult not to notice news about blockchain. Word of the technology was on everyone’s lips for one reason: bitcoin’s meteoric rise. In under a year, the cryptocurrency bitcoin increased in value more than 20 times from below US$1,000 to a high of just under US$20,000. It followed that everyone wanted to know about this exciting new currency and what powered it.

However, since then bitcoin has had a more volatile time on the market. At the time of writing, bitcoin’s value stands at a respectable US$9,000, but recently it has struggled to reach beyond US$12,000. While still impressive, the headlines have unsurprisingly moved on.

The market hasn’t.

**What is blockchain?**

Blockchain is a decentralised digital ledger used to record transactions of data and stored across an array of computers simultaneously. Every time a new record is created, it adds a new ‘block’ to the ‘chain’ that is time stamped with a cryptographic hash of the previous block and every computer in the decentralised ledger is notified of the new record. This makes blockchain highly resistant to fraudulent data manipulation.
Bubbling away under the surface, some economies and regions have taken the technology that powers bitcoin and begun to realise its potential. In particular, the APAC region has eagerly pumped investment into blockchain development.

The majority of this investment will take place in China, with experts predicting that the Chinese market will soak up 70% of total blockchain investment in APAC. How this investment is and will be spent is spread across a variety of sectors, but the financial sector is likely to see the biggest gains.

In 2018, spending on blockchain in the Asia-Pacific region (excluding Japan) was $284.8m, but estimates suggest that in 2019 investment saw a 83.9% increase, taking the total to $523.8m.

Some reports suggest that by 2022, blockchain spend will hit a five-year high of $2.4bn – a compound annual growth rate of 77.5%.
Why has APAC seen high blockchain investment?

The answer is threefold

- **Favourable Regulatory Environment**
  The APAC region is one of the best regions in the world for blockchain because of its regulatory environment. A proactive approach to regulations has seen Japan, South Korea, Singapore, China, Australia and Hong Kong embrace blockchain more quickly than their counterparts in the EU and US.

- **Workforce Distribution**
  The international distribution of the APAC workforce, with people crossing borders for better career prospects, demands a more secure way for people who send money home to do exactly that.

- **A Growing Middle Class**
  The past twenty years of globalisation has changed the face of the APAC region, with 88% of the latest billion people to join the middle class being Asian. Some suggest that two thirds of the global middle-class population will live in Asia by 2030. This demographic will demand improved financial services.

APAC is a hotbed region for blockchain investment. But what are the use cases?
Movers & Shakers:

Blockchain Use Cases in APAC

**Blockchain Multi-Currency Payments Platform**

The Monetary Authority of Singapore (MAS) built a blockchain-based multi-currency payments platform in 2019. The platform was able to process different currencies within the same network, and took the input of JPMorgan and Temasek Holdings to create.

MAS has been attempting to establish a payments network that connects with other blockchain networks for a few years now, and this multi-currency payments platform is the latest addition. Over 40 financial and non-financial companies continue to explore the benefits of the payments network.

**Transforming the Food & Agriculture Sector**

2015 saw the founding of Indonesian start-up HARA. HARA has been developing a blockchain-based data exchange for the food and agriculture sector that aims to improve the lives of farmers. It will do this by providing easier access to valuable data like land ownership details or crop prices throughout the country.

What’s interesting is that HARA incentivises farmers to input data into the blockchain by offering HARA tokens. To a degree, this is not too dissimilar to how nodes in the bitcoin network are rewarded periodically with new bitcoin. The difference is that farmers can exchange HARA tokens for equipment and products like fertilisers.
**Liberalising the Asian Regulated Energy Markets**

Electrify provides us with another example of Singaporean innovation. Electrify, a start-up founded in 2017, managed to raise US$30 million in under 10 days via a token sale in a bid to replace its operational model with one powered by blockchain.

Electrify’s ultimate aim is to develop a platform that allows consumers to purchase energy from retailers or their peers using smart contracts and blockchain. The benefits to the consumer are staggering – not only do they avoid paying middleman fees, they also enjoy immediate and automatic execution of contracts that they can trust.

**Supply Chain Overhaul**

Logistics has long been a mainstay of the global economy, but with globalisation, just-in-time approaches to manufacturing and the unstoppable rise of e-commerce, it is arguably more important than ever before.

Another Singaporean start-up, Yojee, understands this perfectly. Yojee is looking to utilise the power of Artificial Intelligence (AI) and blockchain to provide a robust logistics service. It helps companies to coordinate fleets, optimise tracking, pick and delivery, invoicing and more. Blockchain helps to keep a reliable digital ledger of the transaction of goods. Combined with AI, the company has helped to reduce delivery times from three days to same day, in some cases.
A Revolution in Know Your Customer

The financial sector has many obligations, but few come close in importance to verifying the identities of customers. With criminals and fraudulent activity rife in the digital age, financial institutions need better ways to verify the identities of customers.

Xenchain, a Malaysian start-up, is trying to tackle this issue. It has combined Know Your Customer (KYC) with facial recognition technology to streamline the verification process. It also aims to decentralise personal and identification data in a secure blockchain. This approach would empower individuals, who would be able to access and manage their data more easily and control who has access to their data.

Cross-Border Payments Made Simple

The Interbank Information Network (IIN) is a cross-border payments service built by the Australia and New Zealand Banking Group, JPMorgan Chase and the Royal Bank of Canada. Its aim is simple: to facilitate cross-border payments without the hindrance of compliance checks and other data-related inquiries.

That isn’t to say that the IIN doesn’t comply with regulations. Instead, all necessary information for compliance is already stored in the blockchain, making the payment faster. Where any further compliance is needed, participants are asked for additional information. But the speed with which payments can be made across borders with the IIN will help to enhance international trade in the future.
As you can see, blockchain is enjoying spectacular uptake with the APAC region. Nevertheless, there are plenty of misconceptions about blockchain within APAC that is stopping it from reaching its full market potential.

In 2019, Ravi Menon, Managing Director of the Monetary Authority of Singapore, argued that people had the wrong idea about blockchain. Not only do many people believe blockchain is purely about cryptocurrencies, they also believe it is inadequate for enterprise use. In addition, they view blockchain as a technology that is still looking for a problem to solve.

These misconceptions couldn’t be further from the truth. As a distributed digital ledger, blockchain is more about the security and democratisation of data, while there are plenty of use cases to demonstrate blockchain’s corporate capabilities.

As more companies begin to understand the true value of blockchain, we will begin to see substantial investments in blockchain technology throughout APAC. Already, the FinTech sector has seen massive influxes of investment in recent years. Australia and Singapore alone enjoyed deals totalling US$401 million and US$453 million respectively in the first half of 2019. In the future, as more companies come to trust blockchain, the total value of deals across sectors will make these numbers seem small.

Deals like this will continue to take hold around the world, kickstarting a total transformation within the finance sector. It should also serve as a wake-up call for financial institutions the world over, who must embrace blockchain technology or risk being undercut by plucky start-ups and forward-thinking competitors.

Likewise, cryptocurrencies could overturn existing market dogma, with whole sectors choosing to deal in crypto as opposed to national currencies, as with the HARA start-up in Indonesia.

Though no one can say what the future holds for certain, we can say with confidence that blockchain is set to upset traditional markets and create staggering new revenues in the process.

After all, expectations suggest that the global blockchain technology market will reach US$57.6 billion by 2025. And APAC will be leading the way.
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