

Asian Central Bank Digital Currencies (CBDC) Innovations are Vital to Commerce, Trade and Economic Growth for Asian and the World.

Asian Central Banks Digital Currencies (CBDC) are the monetary innovations needed now to usher in new record levels of growth in trade and commerce in the coming years for the region and beyond.

The pandemic years of 2020 and 2021 have put enormous pressures on Asian leaders to search for a new growth formula for their respective nations

One of the most notable aspirations is the innovation of a central banks issued digital currency (CBDC) in respective nations in the region. Such digital currency is expected to bring tremendous opportunities to facilitate and expand commerce, trade, and industries for start-ups, SMEs, and corporations in and outside the region.

The goal is for each central bank in the region to issue its own CBDC. The Asian central banks digital currencies (CBDC) are different from the better-known digital currencies such as Bitcoin and Libra. The latter ones are proprietary but the Asian digital currencies are creations by government central banks. Proprietary cryptocurrencies such as Bitcoin or Libra are not issued nor backed by government central banks.

Further, the management and control structure of CBDC is centralized at the government central bank while the myriad proprietary cryptocurrencies' are decentralized at their enterprise entities.

Digital currency is a general term for currencies that exist only in electronic forms, mainly in computers and mobile phones. There are also other distinctions between CBDC and cryptocurrencies. Cryptocurrencies are digital currencies, but all digital currencies are not cryptocurrencies. Digital currency is a form of currency available only in digital or electronic form, not in physically tangible money form. In everyday language, we call it digital money, electric money, cybercash, electronic currency. The variety of the words used indicates CBDC plays a multipurpose role and capacity in serving as a version of digital currency.

In perspective, of the 7 billion-plus people on the planet, only about 4.6 billion people are active internet users. And 90 percent of these active netizens use only mobile data. These are trends in Africa and Asia. This is significant because the interconnections between Asia and Africa is based more on trade and commerce rather than on aid and development which the latter is of the traditional European styles of relationship with these developing economies due to their historical relationships.

CBDC can be expected to accommodate these regions to facilitate and support interconnections in trade and commerce in the Asian region and beyond and to contribute to significant growth in commerce, trade and the economy of the regions in the close coming years on to a more efficient and higher playing field.

A more vigorous development effort for CBDS in individual Asian states is warranted in view of the current pandemic shutdown and also in readiness for another crisis should there be a recurrent.

The extent of the current pandemic shutdown could have been tremendously mitigated to a large degree had there been substantial support and assistance by the CBDC system, if existed, in those affected Asian states.

In perspective, China has been proactive in support of CBDC implementation in Africa which will create platforms for digital currencies in Africa. Such developments are likely to enhance the opening of markets for e-commerce and fintech developers in Africa. The future will lead to competition between SWIFT systems. The snowball effect is certain when companies – start-ups, SMEs, or big corporations – rush to enter markets in Africa and hopefully, Asia. The interconnections of these two regions facilitated by CBDC digital currencies in financial services for trade settlements and e-commerce are certain to set record growth.

From a historical perspective, Chinese coins (vis-a-vis the modern-day digital currency) were widely used in East Asia in the middle age. The situation then was the establishment of trade rules by dominant traders. In the 15th century, the Ming dynasty coins were widely used in Japan from the 15th –17th century. China yearns to take back that position. Despite China is the second-largest economy the Yuan accounts for slightly more than two (2) % of global foreign reserves and slightly less than two (2) % of global payments (December 2020). So, it is convenient to capture markets in developing countries in Asia and Africa. A report by the Development Bank of Singapore (DBS) highlighted China's efforts in encouraging local and foreign banks to use China's Cross-border Interbank Payment System (Cips) in Asia, the Middle East, and in the African continent and to use Yuan in international transactions and to use China's Cips in direct competition against WIFT. China has made huge foreign direct investments (FDI) in Africa which may create a good platform for China's aspirations. China has a good position in Africa's consumer device markets and the DBS report also noted that Huawei Technologies' new smartphones had a built-in digital Yuan wallet for African markets, which increased Yuan's potential in African markets. Yuan may be able to be integrated into Africa's payment ecosystem which is increasingly dominated by Chinese companies, the DBS report noted.

The Covid-19 pandemic affected Chinese New year celebrations in February 2020 and 2021. People were unable to travel back to their hometowns for family reunions. On the flip side, the pandemic crisis brings opportunities for China's financial technology innovations. Chinese authorities in several cities have given millions of digital Yuan¹ as New Year presents to citizens. The digital money (200 Yuan) in a 'red envelop' was distributed in a public lottery. Fifty thousand Beijing residents received the digital currencies which they spent shopping online or in shops. The scheme was well received by citizens and the Chinese authorities considered it was an experiment for CBDC.

As the covid-19 pandemic accelerated so is the need to implement CBDC in Asian states. Central banks around the world are increasingly looking for possibilities to issue electronic currencies. Last October Cambodia became the first Asian country to formally launch its digital currency system (Bakong). Other Asian countries, such as Thailand, Singapore, Japan,

¹ To avoiding readers' confusion, we used in the article Yuan instead Renminbi (RMB).

and South Korea allegedly have been boosting the digital currency system prospects and are vigorously conducting research for possible launching dates.

China is very much into digital currency. Hundreds of millions of customers use Alipay and WeChat Pay services every second in China by scanning QR codes, instead of using paper currency and coins. Citizens routinely are able to withdraw e-yuan via ATM machines onto their smartphones e-wallets. More electronic Yuan Apps will be created for Beijing Winter Olympic Games in 2022. The strategy is to popularize the digital currency by city-level trials within this and next year so the digital currency will be fully implemented and ready for use in the 2022 Winter Olympic Games. China's aspiration is to become the first large economy in the world to operate digital currency full-scale. China aspires to lead in payments technology. In its close ties to China, Cambodia launched its digital currency, the Bakong in October 2020, and China and other regional countries has been closely following the digital currency development of Cambodia.

China's steady development in digital currency is due to its determination to elevate the currency for international transaction settlements. Politics aside, international commerce and international trade settlements in the world will be tremendously more efficient if the central banks of each country in the world issues CBDC instead of hanging on to the out-dated and inefficient paper currency.

A recent research report by The Bank for International Settlements (BIS) noted that 86% of 65 Central banks had been actively engaged in some forms of CBDC plans and projects. Less than 60% of the central banks say it is likely or possible that they would issue a CBDC within the next 6 years. An interesting finding from the research was that about 60% of central banks still see themselves as unlikely to issue any type of CBDC in the foreseeable future, meaning in the short and medium terms timeline which led a Wall Street executive to aptly described "Chinese policymakers are by far the most advanced in their thinking about digital currency, but they are thinking about things that the rest of the world is nowhere near thinking about yet". In the meantime, Asian Central Banks have been pushing digital currency projects at their own paces. The Wall Street executive's statement together with the BIS research pretty much summarized the world scenarios about the prospects of currency digitalization to achieve state-of-the-art efficiency for world commerce and trades and to elevate to a higher level of playing field.

Central Banks Digital Currency projects in Asia

It is going to be a leadership challenge of the century for central bankers of Asia. In a wider scope, it is not merely a challenge for China or India; it is a challenge for Asia. Particularly, it is a challenge for Asian cooperation in trades, financial services, politics, and digital technology. Are they ready to accept the challenge? These are the scenes:

- **Cambodia** launched its digital currency Bakong in October 2020 and created Asia's first CBDC. The project resulted in a variety of opportunities for IT- developers.
- **China** tested digital Yuan for retail businesses in specific cities and it will be officially launched before Beijing Winter Olympic Games 2022.
- **Japan** Announced plan to conduct phased experiments in October 2020
- **Singapore** Completed phased experimental use for wholesales CBDC in 2020
- **South Korea** plans to create and test a pilot system in 2021 in a virtual environment
- **Thailand** recently have done proof of concept (PoC) for a wholesale Central Bank Digital Currency (CBDC) model and tested prototype CBDC payment system for businesses involving selected Thai financial institutions with the blockchain provider R3 and Wall Street technology provider Wipro.

Hoping for the realization of a functional Asian digital currency economy requires the inclusive participation of all Asian states. CBDC is not just for the advanced Asian economies or countries. It is in the interest of the less developed countries to implement and launch their own CBDS to facilitate trades and commerce and to keep abreast of and connect to their trading counterparts in the region and beyond. Digital currencies will serve as vital financial and economic tools to expand and increase the volumes of trade, commerce, and financial services with inclusion to enable maximum efficiency in trade settlements and strengthening monetary policy. CBDC enhances the efficiency and transparency of domestic and international businesses, commerce, and trade transactions and settlements.

CBDC provides transparency of money circulation in the financial systems and serves as tools to combat money laundering domestic and international. It enables the central bank of each nation to keep track of financial services and transaction settlements.

The case for Cambodia

The national Bank of Cambodia (NBC) launched its digital currency named Bakong in October 2020. At the time Cambodia became the first Asian country to formally launch a digital currency. Bakong is a co-development with a blockchain start-up *Soramitsu*. The system was developed with the expectation that it will facilitate and lead to more efficient commercial transactions traditionally involving the Cambodian paper currency Riel or US dollars. US dollars are widely accepted in business transactions in the Cambodian economy.

The Cambodian government anticipates the Bakong to be accepted in businesses and financial transactions in Cambodia as time progresses, especially among the non-banking population. Only five per cent of the Cambodian population have bank accounts, so it is quite crucial to establish some sort of alternative monetary or financial tools to service payments, savings, and transactions for these large numbers of the non-banking population. The National Bank of Cambodia (NBC) expects the new digital currency system, Bakong, will increase the usage of Riel vis-à-vis the U.S, Dollars. The financial technology company Soramitsu president Miyazawa said that NBC wanted to move away from the scenario that the usage of their own currency Riel is shrinking.

The realization of NBC's CBDC Bakong is not something of a total surprise because it was conceived in 2017. Currently, Cambodia has around 10 million internet users and slightly fewer than 15 million mobile internet subscribers and the government is aiming to tap into these internet subscribers. With the current underdeveloped retail banking sector, the majority of salary payments are settled by cash payments. In trade, everyday purchases, business, and financial transactions, deals are mostly settled by cash despite the booming trends in digital transactions and digital payments elsewhere and in Asian.

The Bakong realization has long been the efforts of NBC to expand the usage of its national currency vis-à-vis the US dollars and to reduce the inefficiency of cash or physical currency transactions by providing a centralized infrastructure that processes multiple payment categories free of charge. The vision was for business efficiency so businesses can focus on management strategies and other aspects of operations such as supply chain management and market expansion.

It has also been the desire of NBC to encourage financial institutions to provide services to cover the country's large non-banking population. With the objective, there was a big push to develop and establish facilities such as the payment services institutions (PSI). Currently, there are 24 PSI's in Cambodia whose services mainly cover remittances, mobile payments, and e-commerce, with most transactions done over-the-counter at specified points of sales.

Among the long-term aims is to create platforms for a more digitally oriented society with rooms for advanced developments. At present, the number of e-currency (e-wallet) usage has increased around 65% in 2019 which amounts to around 5.3 million users. We can expect the huge increase in e-currency usage to continue beyond the 2020s in vastly more significant scales.

The CBDC Bakong has been created with user-friendly objectives and utilizes a KYC system. There are two types of user accounts, higher-limit accounts with the need to register their government-issued ID and lower-limit accounts that users may access by SMS verification. The system is powered by hyperledger iroha and distributes ledger software that records all transactions. Iroha differs from other blockchain networks because only certain participants with the necessary access can join the blockchain system and this ensures network redundancy and resilience.

Other than China and Cambodia, no other Asian central banks have confirmed when they will issue their own CBDC's. They monitor and observe the case of Cambodia very carefully. The development of digital currencies gives enormous opportunities for start-ups, SMEs, and international corporations in the e-commerce sectors. Singapore based fintech start-up Fincy, which created an earlier cashless payment system in 2020 announced it would do expansion of its cash payment system. The platform product is a highly functional e-wallet that provides payments, transfers, and payroll functions. Fincy's e-wallet is powered by secure and transparent blockchain technology. Fincy is just one example of a start-up firm that took advantage of opportunities generated by Asian's increasing digital currency development prospects. Cambodia is currently one of the best entry points to march into the Asian digital currency and e-commerce Blue Ocean, especially in the realm of digital currency.

Amid global battles with Covid -19 pandemic, Cambodia's economy is coming back with a projection of strong growth in e-commerce and e-currency with potential acceleration over the next two to five years. The Cambodian market is not a mere blue ocean territory. There is plenty of space for multiple players and there are plenty of rooms to grow beyond. Cambodia is a good location for creating visibility in the Asian region for the introduction of selected products, services, and innovations for creative and ambitious players with determinations to be in the sunshine on the global playing field.

Asian central bankers including China's are closely following numerous pilot programs in Cambodia. The Cambodian government focuses on creating market access ease for new incoming players because they want to attract multitudes of digital technology companies. Cambodia is definitely a good launching pad for digital currency innovations, platforms, and program implementation with facilitating policies.

The Cambodian market is substantially suitable for launching innovative digital pilot programs. When other Asian central banks plan to start the creation of their own digital currencies they want to have financial technology concepts and ready-made fintech for implementations they may have to look into the Bakong experience. The Cambodian aspiration is to move forward based on its pioneering spirit in its Bakong digital currency achievement. European start-ups, SMEs, or corporations are welcome to enter the market and be a player in the continuing development.

When potential international companies enter into new markets in South East Asia, keep in mind that when starting up the enterprise, investing, or securing finance in a country such as Cambodia or Thailand it is not at all more difficult for foreign companies than for local companies. Further, to enter into such markets to secure finance or bidding for projects -- from government or non-government organizations -- it is usually not at all more difficult for foreign companies than for local firms. By and large, aspirations, ambitions, determinations and how far an enterprise organization is willing to go are the factors which will bring success to the business enterprise anywhere in Asian especially in Cambodia, Thailand, or elsewhere in the world.

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If you need more information about market situations and potential opportunities, business protocols, rules, regulations or procedures regarding Asian, especially Cambodia, Thailand, please feel free to contact:

Professor Dr. Tuomo Rautakivi (Royal University of Phnom Penh)

+358 (0) 45619447

+66 (0) 814019979

t.rautakivi@finlandconsul.or.th

Assistant Professor Rengson Mualchontham (Siam University, Thailand)

+66 (0) 897618900

rengson@siam.edu