

Weekly Hot Take

2024 SEABW Takeaway:
Southeast Asia's PMF with Blockchain



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Summary

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- Technology achieves product-market fit (PMF) in societies that value what you can do with it. In the case of blockchain, it finds a PMF in geographies where society appreciates "frictionless value exchange," its key value proposition.
- Southeast Asia has a long track record of cross-border collaboration, formalized more than half a century ago in the form of a trade bloc known as ASEAN. The value system instilled in Southeast Asia aligns well with blockchain's value proposition, suggesting a strong product-market fit (PMF) for blockchain in Southeast Asia.
- 'The 2023 Geography of Cryptocurrency Report' by Chainalysis, which ranks countries on the level of grass-roots crypto adoption, has placed four Southeast Asian countries in the top 10 list, strengthening our thesis.

Figure 1: Honing in on Southeast Asia

Source: [SEABW](#)

April 22 - 28, 2024
**SOUTHEAST ASIA
BLOCKCHAIN WEEK**
BRIDGING WEB3 INNOVATIONS IN SOUTHEAST ASIA
April 22-28, 2024
TRUE ICON HALL · Bangkok, Thailand

Southeast Asia Blockchain Week

A PREMIER ANNUAL BLOCKCHAIN GATHERING: DESIGNED FOR SEA

Southeast Asia Blockchain Week is a premier conference dedicated to exploring the evolving landscape of Web3 technology in one of the world's most dynamic and rapidly growing regions.

This conference brings together industry leaders, innovators, and enthusiasts to discuss, share, and collaborate on the latest trends, developments, and opportunities within the Web3 ecosystem.

MAIN CONFERENCE | 24-25, April 2024

A premium two-day conference that convenes renowned players in the web3 sector, such as investors, developers, entrepreneurs, corporations, and others. The event is dedicated to exploring advanced themes in blockchain, DeFi, Gaming, NFTs, regulations.

Aerial night view of Bangkok skyline, showing illuminated buildings and a river.

On April 24th, Presto Research participated in the Southeast Asia Blockchain Week(SEABW) in Bangkok as a keynote speaker on a session titled “Southeast Asia’s PMF with Blockchain.” Focused exclusively on the digital asset ecosystem in one of the most vibrant regions in the world, the SEABW’s main sponsors included the blue-banners from both TradFi and digital asset space, such as SCBX, zkSync, ShardLab, and Hashed. In this report, we summarize the main points from the keynote speech as well as the investor feedback.

Value is in the eye of the beholder

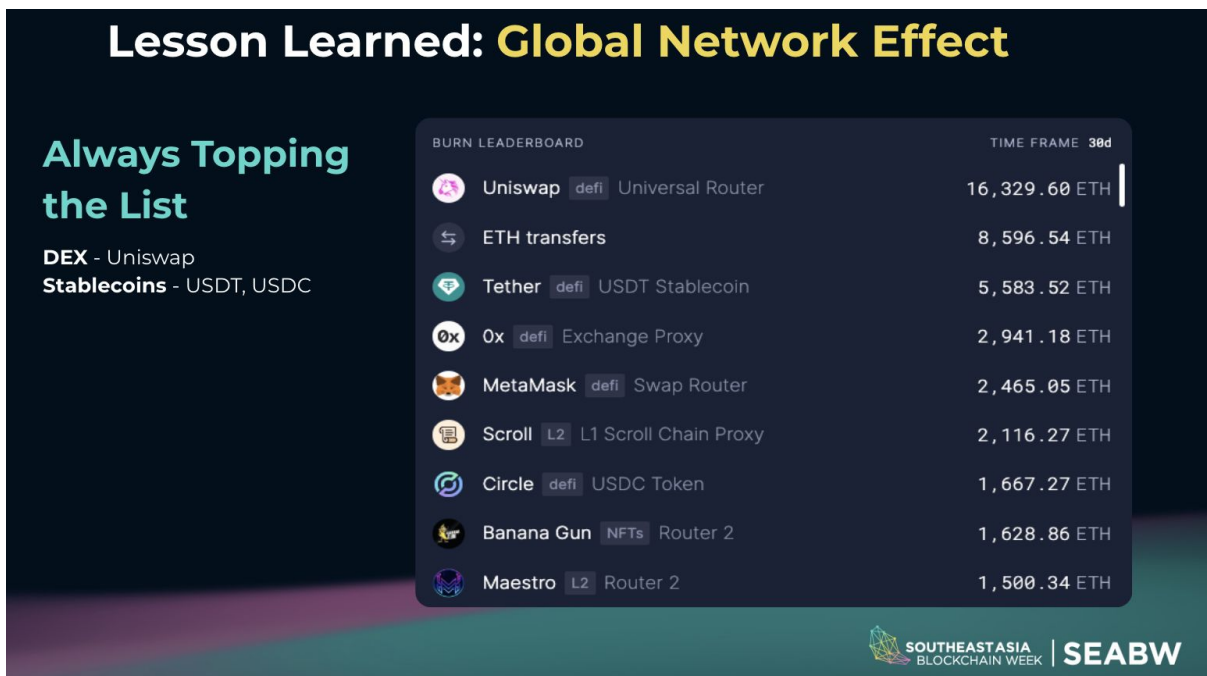
Our main premise is that technology is a tool. A tool is useful only when a society values what you can do with it. Take a rice cooker for example. It is considered a useful invention in East Asian culture where people place value on the consistent and hassle-free rice cooking process, but not in the regions of the world where rice is not a staple part of the diet. In other words, a rice cooker has a product-market fit(PMF) in East Asia, but not in, say, Western Europe.

Even something like the internet, which most readers of this report would consider an invaluable part of modern life, may not have a good PMF in certain places where society doesn’t value its utility. The internet allows you to access and express information freely, but such utility is of no use in places where free speech and freedom of information are not appreciated. North Korea is a good example. The totalitarian regime has effectively blocked all access to the internet for its people, never giving the technology a chance to realize its full potential within its borders. Thus, the internet doesn’t have a PMF in North Korea.

Likewise, blockchain has a good PMF in places where society appreciates the blockchain’s value proposition. But what exactly is the value proposition? A lot of people say a lot of things about what it’s good for, but in the spirit of being conservative, let’s try to stick with what’s proven so far rather than unsubstantiated visions or hopes.

Figure 2: Proven and timeless use cases

Source: Ultrasound Money, Presto Research



Who appreciates blockchain’s value?

The blockchain industry is one big social experiment after all, some with more solid proven track records than others. Based on a few real-world success cases, such as a store of value(BTC), the USD stablecoins(USDT, USDC) and decentralized exchange(Uniswap), one can safely conclude that the blockchain’s value proposition, in its barest form, is “frictionless value exchange.” It’s frictionless because intermediaries, the source of the frictions, are removed from the transaction.

In general, the geographies that appreciate “frictionless value exchange” have certain attributes. The economic or financial regimes conducive to free trade - of not just goods and services, but also of capital and labor as well- are one. The best example is a financial hub, such as New York, London, Hong Kong, Singapore, and Dubai. These cities understand the importance of cross-border free capital movements and have built financial and regulatory regimes to support it. The next best example is trade blocs, such as the European Union or USMCA (old NAFTA). A trade bloc is established

when countries that recognize the importance of free trade unite to pursue shared values. It is a collective that provides the benefits of low trade barriers to its member states.

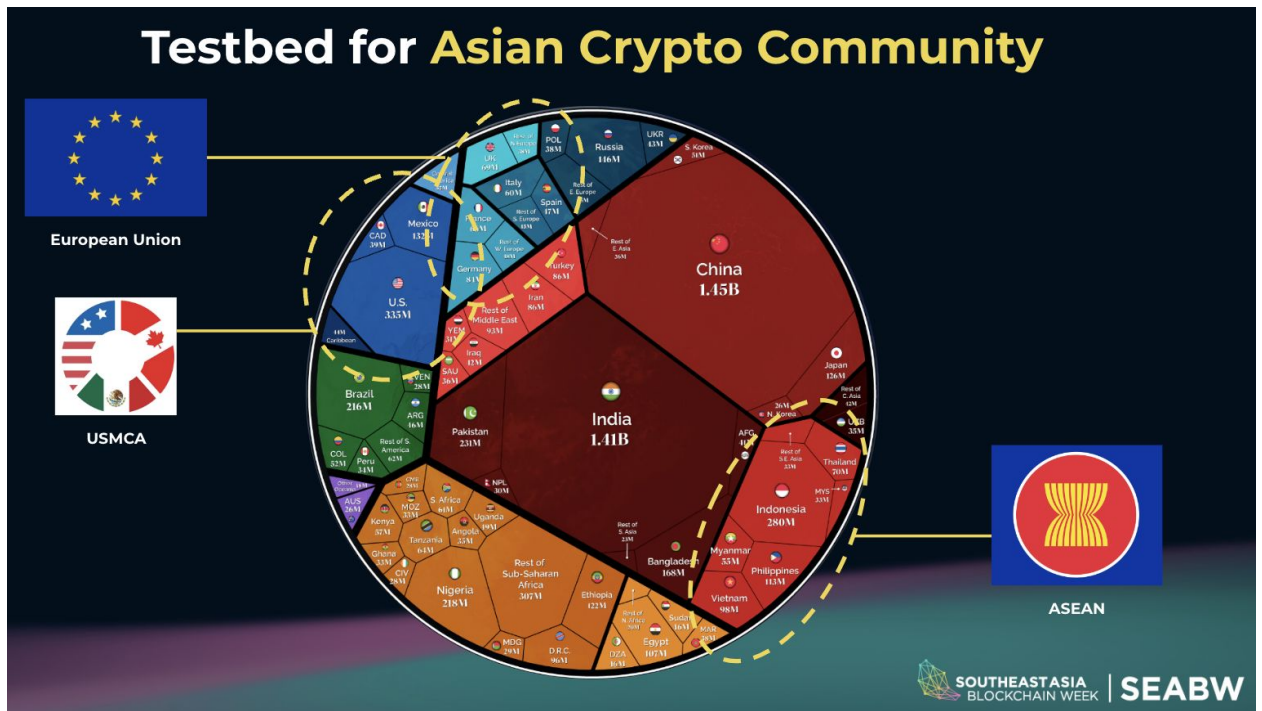
Southeast Asia gets it

How about in Asia? Admittedly, apart from financial hubs such as Hong Kong, Singapore, we are hesitant to assign high marks to Asian sovereign states as strong advocates of free trade given various degrees of protectionism, capital controls and rigid labor laws prevalent in many parts of the continent. But one region stands out from the rest: Southeast Asia.

Southeast Asia has a long track record of cross-border collaboration between the neighboring countries economically, socially and politically. This tradition goes way back; in fact, it was formalized more than a half century ago in the form of the Association of Southeast Asian Nations. Better known as ASEAN, it is a thriving trade bloc

Figure 3: Multinational collectives seeking frictionless value exchange

Source: Visual Capitalist, Presto Research



covering more than 600mn population with 10 member states, and is older than both the EU and USMCA. The low trade barriers member states enjoy have brought significant benefits to the Southeast Asians over the last few decades.

Much to disintermediate

A community is rightly touted as an important factor in a successful blockchain project. But there is a catch; the community in question has to be multinational, crossing over multiple jurisdictions. That's because, to achieve meaningful adoption, a blockchain-based solution needs to show 10x improvement from the existing solution. A single-jurisdiction community however would be hard-pressed to experience the 10x improvement under the blockchain's disintermediating technology because there is little to disintermediate when the entire community operates seamlessly within the confines of the jurisdiction's borders, free from the frictions typically encountered at international boundaries.

Southeast Asia is not only a community that spans multiple jurisdictions, but also has a long tradition of solidarity and collaboration among its members. As such, the value system instilled in this part of Asia aligns well with the blockchain's value proposition. For the same reasons that the internet has a PMF in places that value free speech and freedom of information, blockchain has a PMF in places that value collaboration and free trade among its community members. Southeast Asia is that place.

Onchain metrics don't lie

Independent studies support this thesis. The blockchain analytics firm Chainalysis periodically conducts studies on the level of grass-roots crypto adoption in 155 countries, and has ranked four Southeast Asian countries in the top 10 list in ['the 2023 Geography of Cryptocurrency Report'](#) The report also indicates that the so-called 'lower middle income(LMI)' group countries (defined as the countries with GNI per capita ranging between \$1,086 - \$4,255 by World Bank) are showing the fastest adoption; 6 out of 10 Southeast Asian countries fall under the LMI classification.

Figure 4: Southeast Asia dominates top 10 list

Source: Chainalysis

The 2023 Global Crypto Adoption Index Top 20

[See the full index on page 85](#)

Country	Region	Overall index ranking	Centralized service value received ranking	Retail centralized service value received ranking	P2P exchange trade volume ranking	DeFi value received ranking	Retail deFi value received ranking
India	Central & Southern Asia and Oceania	1	1	1	5	1	1
Nigeria	Sub-Saharan Africa	2	3	2	1	4	4
Vietnam	Central & Southern Asia and Oceania	3	4	4	2	3	3
United States	North America	4	2	8	12	2	2
Ukraine	Eastern Europe	5	5	3	11	10	10
Philippines	Central & Southern Asia and Oceania	6	6	6	19	7	7
Indonesia	Central & Southern Asia and Oceania	7	13	13	14	5	5
Pakistan	Central & Southern Asia and Oceania	8	7	7	9	20	20
Brazil	Latin America	9	9	11	15	11	11
Thailand	Central & Southern Asia and Oceania	10	8	15	44	6	6

Feedback

We spoke with a number of attendees afterwards, and the feedback can be summarized as follows. First, viewing a trade bloc as a collective pursuing friction-minimizing trading network for its members and drawing a parallel to the blockchain community is unique and interesting. Second, Southeast Asia’s broader fintech community has been working on centralized solutions for better financial inclusion. As such, combining the centralized fintech platforms with digital assets, such as Grab’s incorporation of Circle’s web3 solutions announced last year, could hold a lot of potential. Last but not least, some thought the region’s potential still lies with the gaming sector given the Axie Infinity’s legacy. That said, It’s a topic we specifically evaded for fear of pigeonholing the region’s opportunity into P2E only.

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