Quan Le

Jason: I am here at the Internet of Agreements Conference in London, and I'm talking to Quan Le and Manrui, who are the Co-Founders of Binkabi and are doing some very, very exciting things with the blockchain. Maybe you could introduce yourself and talk a little bit about what you're up to.

Quan: Sure – thank you very much. We are creating Binkabi, which is a cross-border physical commodity trading platform, primarily working in developing countries, and we leverage the blockchain technology to solve some of the trust issues in international supply chains.

Jason: What are those trust issues that currently exist?

Quan: Basically, the trust issues come from the fact that there's a lack of knowledge and understanding but also lack of legal protection among developing countries. If you are an exporter, and you are sitting in Asia and you want to export to Africa, you may or may not trust that the African party will be able to pay you when they receive the goods. And if they are the importer, then they are worried that the goods they want to buy may not arrive in the quality and quantity that they agreed on, so there's a lot of the trust issues. This issue tends to be less in more developed markets where you have more legal protection and a more established way of doing business.

Jason: So right now there's really no way to resolve those issues satisfactorily, is that the case?

Quan: There's a way to resolve those issues at the moment, which is you basically have to go through an intermediary, which is the trusted party, and for these services the intermediary will basically take a lot of the profit out of the supply chain.

Jason: I see, I see. So you're hoping to solve that with blockchain and smart contracts.

Quan: That's right, we're hoping to do that. Because one of the first things we focus on would be agriculture supply chain, and in agriculture supply chain, which is similar to any commodity supply chain, everyone is a price taker. So if they have a trusted intermediary taking out most of the profit, there's less profits for other people in the supply chain, and in this particular case that's small farmers in developing countries.

Jason: That's incredible. So that really resolves and removes a lot of friction from these systems as they currently exist.

Quan: That's right. Also, the other issue that we are solving is the fact that developing countries, regardless of the fact that they are not trading with the US or trading with Europe, they still have to pay in US dollars or Euros. US dollars in particular is the single largest trade currency, and if you have a developing country where you most of your US dollars are only coming from selling a few commodities, and when those commodities go down in price, meaning you don't have that much US dollars to trade, but in order to grow these economies still have to have US dollars. So we are also looking at how to resolve the issue of being able to trade in international markets without going through US dollars.

Jason: What are the solutions you're looking at for that?

Quan: The solution we're looking at is what we call a smart bartering through a process called Barter Block. We look at the bilateral trade flows, and trade by trade we look to pair them up. Let's say there's two countries involved: we look to pay the two trades that go in opposite directions. As long as the trades are similar in terms of value and timing, then we can potentially net them off, so the net effect is a much smaller amount that needs to be translated from local currency into US dollars and sent through the banking system. Because at the moment, because of the need to go through US dollars in order to trade, the supply chain basically loses 7-10%, which, together with the intermediary and the US dollars, these two factors could easily take away 20% of the value.

Jason:	Wow – that's a tremendous amount!
Quan:	Absolutely.
Jason:	Are you looking at using a specific currency, or will your platform have its own token that will be used?
Quan:	Our platform has a token, but the token works more or less like a membership or discount voucher or a gift card. In the same way that if you are a member of Amazon you have Prime membership, or if you want to shop in Costco, one of the large discount supermarkets, you have to have a membership, and that membership allows you to buy a discount for certain items. So our token allows people to participate on the platform, but also to be able to reduce the fees that they have to pay through the discount mechanism. But we also want to use the token so that a new service provider on our network can actually incentivise people to use their services, a little bit like Google giving free AdWords advertising to entice people to use their services and therefore increase the overall value of the network.
Jason:	So the PayPal approach.
Quan:	That's right, yeah.
Jason:	Are you implementing your system already? Are you looking at testing it in specific countries first? Are you rolling it out now?
Quan:	We are at the process where we are reviewing the minimum viable product. We are planning to have the first live trades on the platform at the beginning of next year, and we focus on specific corridors where there are already existing trade flows going in opposite directions, and we focus particularly between Asia and Africa, and within that Vietnam and West Africa, so Vietnam-Nigeria, Vietnam-Cote d'Ivoire, Vietnam-Ghana for example.
Jason:	What are the primary commodities?
Quan:	The commodities that you see today is... Let's take the example of Cote d'Ivoire. A lot of people in the West probably know that Cote d'Ivoire is the largest producer of cocoa, which Swiss and Belgian companies import and then make that into chocolate at a very high price. So the country is a large producer of cocoa but also a large producer of another commodity called cashew nuts, and we specifically look at the flows of cashew nuts going from Cote d'Ivoire to Vietnam, which is worth $600 million a year, and the rice that goes from Vietnam to Cote d'Ivoire, worth $200 million a year, so immediately we already have the flows in opposite directions where we can net off the applications.
Jason:	So you're taking those huge trade flows and you're reducing the cost by 20%.
Quan:	That's right. What this means is that the people in the supply chain, the smaller people, the SMEs, small and medium-sized companies, can import or export directly without going through large intermediaries. At the moment, even though I told you that $600 million worth of cashew is being exported from Cote d'Ivoire from Vietnam, but it's actually controlled by about 10 guys, 10 traders in this country. So the question is how do you break this barrier so that smaller players can also go into the space. At the moment, the reasons for the barriers, coming back to the beginning of this conversation, is because of the lack of trust, so the buyers in Vietnam don't trust that the suppliers in Cote d'Ivoire are able to supply the cashew at the quality and the timing and the quantity that they already agreed.
Jason:	Yes – fascinating, fascinating. How did you come to this? What was your background that led you to working on this and also getting interested in blockchain? Maybe you could both answer this question: what led you to working on this and what led you to becoming interested in blockchain as a solution?
Quan:	I was born in Vietnam, brought up in Vietnam, went to university there, joined finance and I then worked in Sydney, Australia and in London, here in the UK. Six years ago I left the

company and set up an agriculture technology and engineering firm, focusing on bringing technology from Asia and setting up greenfield projects in West Africa. Over the last six years we've done about 30 projects for investors who wanted to set up new projects in rice, cassava, tomato, mainly arable crops. From that experience I realised that regardless of how hard you work or the farmers work at the primary production level, they always have a very low return for their work. Because most of the farmers in Africa and also in Asia are small farmers and they only typically own one or two hectares of the field, and also, because of the structure of their cash flow cycles, most of the farmers have to borrow at the beginning of the crop cycle, and then as soon as they harvest they have to sell it. In a market where you have a lot of sellers and only a few buyers, then the market price is always depressed.

We also worked with some of the trusted intermediaries as well, and from this experience I began working on how we can solve the issues of increasing the trust in trade such that smaller players can come in and basically buy or sell directly, keep more profit from themselves and ultimately pass some of that profit onto farmers. Also, because we are at very low stage in the commodity cycles, when commodity prices are so low – the price of oil used to be over $100 a barrel, but these days it's only $50 – I also saw the issue of countries not being able to trade because they lack US dollars. From this came Binkabi.

Jason: Excellent.

Manrui :   I'm a trained chartered accountant, I've been living in London for 15 years, and I worked for PWC and National Grid, doing M&A transactions. In my previous job, National Grid is a massive company and I'm always doing massive deals, but you feel like you don't make much impact, what you're trying to do doesn't really move the needle in the whole thing, and I felt I needed more excitement and I want to do something that really adds value to make a dent in the universe. When Quan came and talked to me about his idea, I immediately got fascinated: the technology, startup, everything is fast-moving, you're responsible for a huge variety of things, and you're actually trying to help somebody who is really in need of help, like the farmers. You're actually making a real difference to their lives, who are perhaps working very hard all year and getting $3-4 a day, and they still have to borrow with the current structure at the beginning of the crop season for the season fertilisers, and they can't hold their harvest for longer, they have to sell immediately so they can repay their debt, and as a result of selling all of it at the same time they couldn't sell at a good price... With all of this, I feel that I can make a real difference to their life, and here I am! [laughs]

Jason: That's incredible – it's a truly world-changing idea. What change do you hope will happen in the world as a result of your work?

Quan: At the moment, the nature of the competition in the supply chain is bigger guys eat the smaller guys, and what that means is as a retailer in the West they have enormous power. Let's say in the case of Vietnam, let's say Vietnam exports some rice to the United Kingdom: one of the retail stores is a seller of the rice, and they can have enormous power on the supply chain, going all the way to the farmers. They have much better bargaining power compared to the wholesaler who sells the rice to them, the wholesaler then has much higher bargaining power compared to the importer who imports the rice into the country, the importer has more power than the exporter on the other side, the exporter has more power than the processer on the other side, the processer then has more power than the aggregator who basically buys the rice directly from the farmers... By the time it gets to the farmer, because he's a small guy at the end of the chain, or at the beginning of the chain because he created the commodity that is being enjoyed by consumers, he's in the weakest bargaining position.

Our vision is we need to change the nature of this competition, so instead of everyone trying to squeeze the next guy up the chain, everyone should collaborate. Of course everyone needs to add value, but they collaborate so that they can compete as a network. Let's say everyone within the Binkabi network collaborates, everyone from the farmers to the aggregator and retailer collaborate, such that that network becomes more competitive, compared to big global corporations or individual people trying to make it in this space, then it makes the whole network more profitable. Where blockchain comes in is if we can have a way to fairly recall the contribution of each of the supply chain players along the way, then we can

also have a better way to distribute the profit of the whole network, so ultimately it means that it will be fairer for the farmers.

Jason: Incredible, incredible. Let me ask one broader question: going forward 5-10 years, how is blockchain itself going to change the world as a whole? In 10 years, what is our world going to look like once blockchain starts rolling out?

Manrui: I think we are now moving towards a distributed world, like you have all these sharing offices and you have all these... Even in my previous company National Grid, they are trying to investigate, doing lots of research... They are a monopoly in the market, owning the transmission grid, but they themselves are looking at distributed energy for example. I think this is definitely the way to go, and blockchain obviously enables this to happen faster and more efficiently. I can imagine a world where all the banks and a lot of things are on the blockchain. Whatever is in the real world right now, in the economy right now, can be replicated on blockchain. Perhaps if everyone is on blockchain, things will get more efficient and accurate and trustworthy, and we would be just one of the early players.

Jason: A good place to be.

Manrui: Yeah, absolutely!

Quan: Further to the point in terms of distributed networks, the ability where you have collaboration without owning each other... Coming back to competition by the network, how do you make all these little entities everywhere work in a coherent way and in a fair way, such that they become collectively become a lot more competitive? I think that is the power of the blockchain for the real world.

Jason: How can people find out more about your work? Is there a place they can go online?

Quan: We've been working very hard in order to get started. People can go to www.binkabi.io to learn more about the project, and what they can learn about the project is more of the application of the technology. Because to a user, especially the users in the developing world, in this case the buyers and sellers, they couldn't care less if you have blockchain on the back of it. What they care about is going on the platform, seeing transactions, agreeing on deals and seeing the deals being executed securely and conveniently, that's all they care about. That is what you can find out more about on our website.

Manrui: We are also looking for volunteers and people with any sort of skills to join this big happy revolution! [laughs]

Jason: Amazing. Thank you so much for speaking to me, and I wish you tremendous success with your project!

Manrui: Thank you very much!

Quan: Thank you very much!