



M.A. Thesis Presentation

Blockchain Technology as A Mean to International Integration:

A comparative study of Permissionless Blockchains (Bitcoin and Ethereum) from 2012 to 2018

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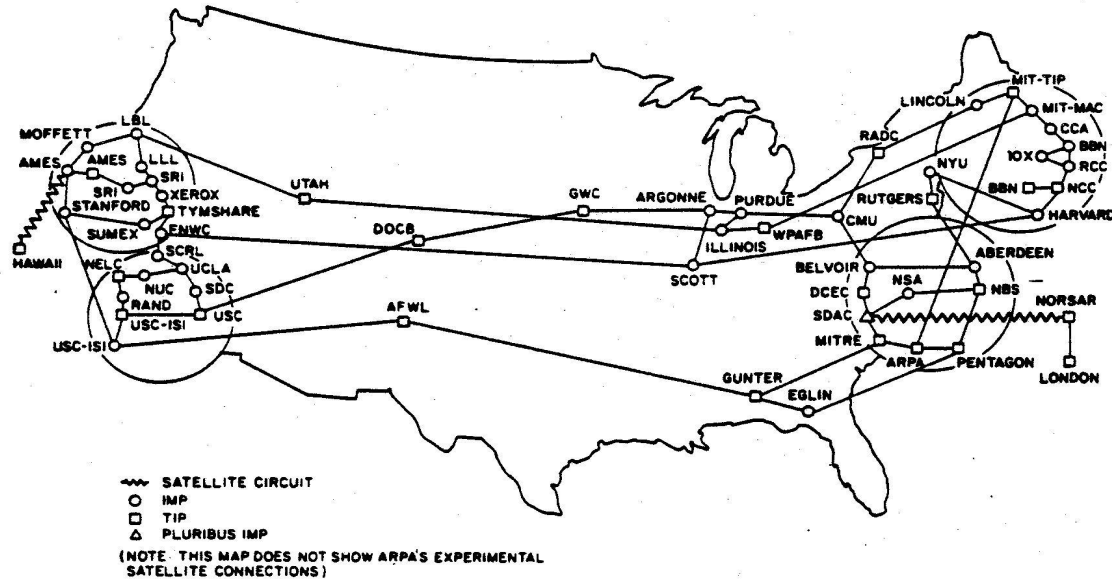
Email: mrahman06@qub.ac.uk

Available at: <http://RakibFiha.com/blockchainTIU.pdf>

Presentation Agenda

- What is Blockchain?
- Literature Review
- Statement of Problem
- Research Question
- Hypothesis
- Methodology
 - Bitcoin Statistics
- Limitations of Study
- Expected Results
- Schedule until final submission
- References
- Q&A
- Appendix

The Map of Internet in the 80s



Source: <https://www.are.na/block/343510>

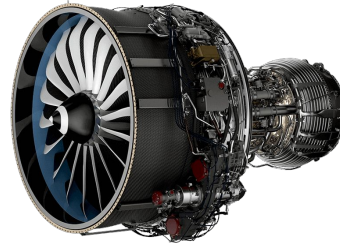
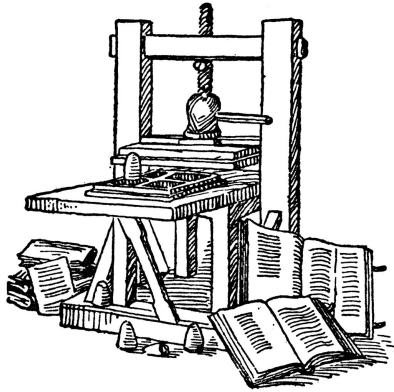
- * “Paradigm”

- * 1994: "Today Show": "What is the Internet, Anyway?"

- * Question is: Do we have a new paradigm which is perhaps the next big thing ?

- * What are the gaps a paradigm had filled in the past?

Filled the knowledge gap
> transferred knowledge
> changed perception
Printing Press (1400)



Engine/ Industrial
Revolution (1800)
> abolished slavery
> revolution
Filled the power gap

Filled the distance gap
> made world smaller
> communication
Internet (1900)



Let's Imagine We want to Buy a House



In Traditional Ledger Transaction (Tx) history will look like this

| | | |
|-----|--------------------|------|
| 007 | 50K Investment | 1993 |
| 006 | Sold to Owner 3 | 1992 |
| 005 | Failed Inspection | 1992 |
| 004 | Sold to Owner 2 | 1989 |
| 003 | Approved Extension | 1980 |
| 002 | 20K Improvement | 1980 |
| 001 | Sold to Owner 1 | 1976 |

Ledger

Traditional Ledger is Highly Temperable

| | | |
|-----|-----------------|------|
| 008 | Electrical Fire | 2001 |
| 007 | 50K Investment | 1993 |
| 006 | Sold to Owner 3 | 1992 |

| | | |
|-----|--------------------|------|
| 004 | Sold to Owner 2 | 1989 |
| 003 | Approved Extension | 1980 |
| 002 | 20K Improvement | 1980 |
| 001 | Sold to Owner 1 | 1976 |

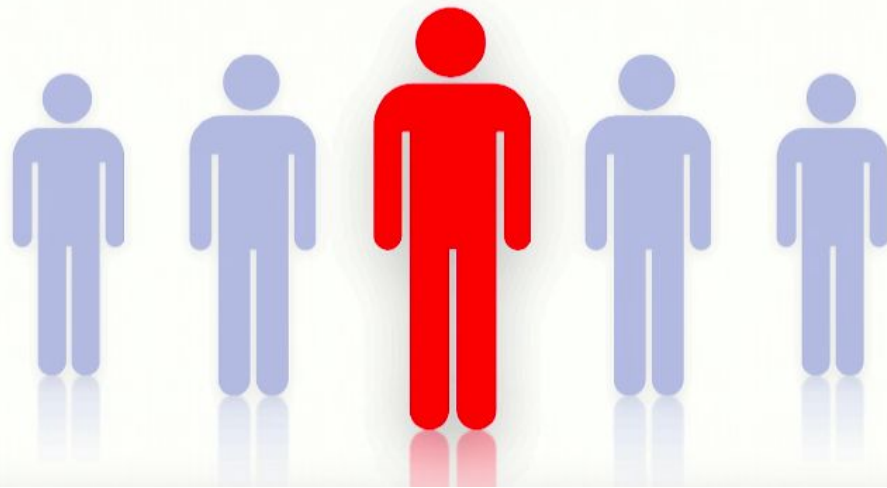
Ledger

Traditional Ledger is Highly Temperable

| | | |
|-----|--------------------|------|
| 008 | Electrical Fire | 2001 |
| 007 | 50K Investment | 1993 |
| 006 | Sold to Owner 3 | 1992 |
| 005 | New Chimney | 1992 |
| 004 | Sold to Owner 2 | 1989 |
| 003 | Approved Extension | 1980 |
| 002 | 20K Improvement | 1980 |
| 001 | Sold to Owner 1 | 1976 |

Ledger

THE MIDDLEMAN



- * In the current world we have intermediaries that generate this trust.
 - * Banks, Credit Agencies, Title Companies
 - * Banks are vulnerable to attack, hack and many other threats
- * There is more than 2.5 billion people in the world who do not have access to any financial services.
- * Blockchain is Trustless , distributed, decentralised, immutable
 - * Blockchain --> verification

This How Blockchain Records Transactions (Tx)

| | | | | |
|---------|-----|-----------------|------|---|
| Builder | 001 | Sold to Owner 1 | 1976 |  |
|---------|-----|-----------------|------|---|


Blockchain Ledger









This How Blockchain Records Transactions (Tx)

| | | | | |
|---------|-----|-----------------|------|---|
| Owner | 002 | 20K Improvement | 1980 |  |
| Builder | 001 | Sold to Owner 1 | 1976 |  |

Blockchain Ledger

This How Blockchain Records Transactions (Tx)



| | | | | |
|-------------|-----|--------------------|------|---|
| Insurance | 008 | Electrical Fire | 2001 |  |
| Contractor | 007 | 50K Investment | 1993 |  |
| Real Estate | 006 | Sold to Owner 4 | 1992 |  |
| Real Estate | 005 | Sold to Owner 3 | 1992 |  |
| Real Estate | 004 | Sold to Owner 2 | 1989 |  |
| Architect | 003 | Approved Extension | 1980 |  |
| Owner | 002 | 20K Improvement | 1980 |  |
| Builder | 001 | Sold to Owner 1 | 1976 |  |

Blockchain Ledger

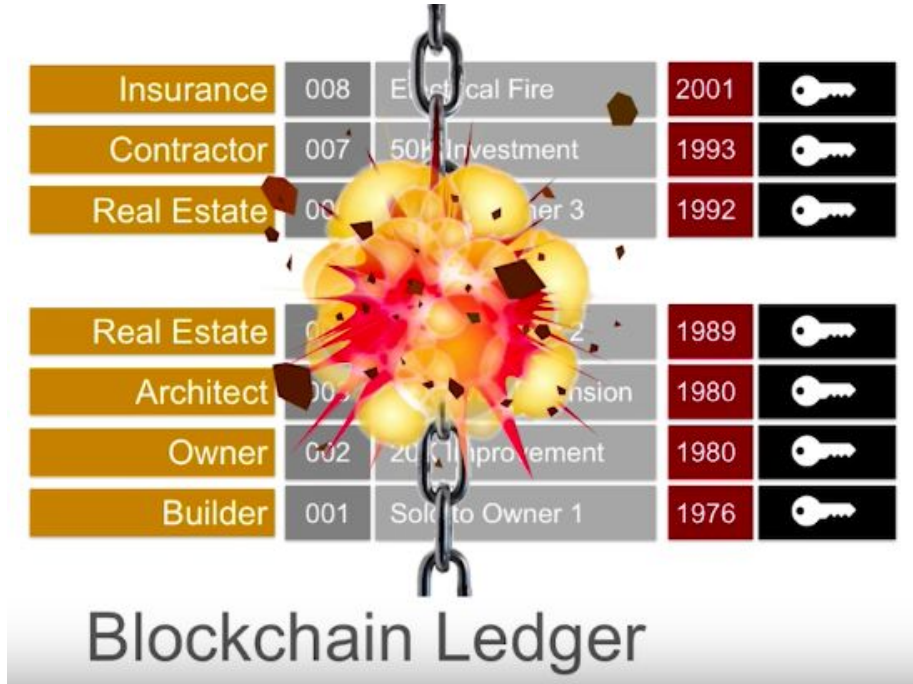
Blockchain is Immutable and Tamper Proof and if someone tries to manipulate the information:



| | | | | |
|-------------|-----|--------------------|------|---|
| Insurance | 008 | Electrical Fire | 2001 |  |
| Contractor | 007 | 50k Investment | 1993 |  |
| Real Estate | 006 | Sold to Owner 3 | 1992 |  |
| Real Estate | 004 | Sold to Owner 2 | 1989 |  |
| Architect | 003 | Approved Extension | 1980 |  |
| Owner | 002 | 20k Improvement | 1980 |  |
| Builder | 001 | Sold to Owner 1 | 1976 |  |

Blockchain Ledger

Other nodes in the network immediately recognises that this is not a valid block.



Immutable

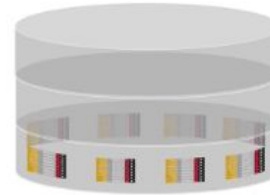
Traditional Ledger vs Blockchain



Tamper-able + Centralized

Trust but verify,
requiring slow
intermediaries

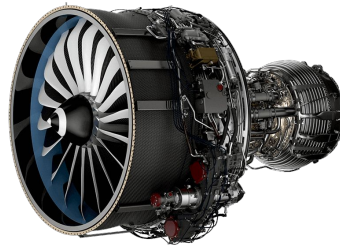
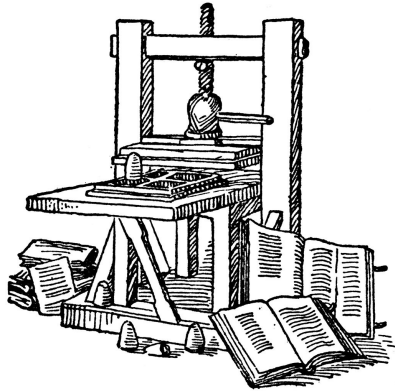
VS



Immutable + Distributed

Trusted, immediately
recorded and easily
available

Filled the knowledge gap
> transferred knowledge
> changed perception
Printing Press (1400)



**Engine/ Industrial
Revolution (1800)**
> abolished slavery
> revolution
Filled the power gap

Filled the distance gap
> made world smaller
> communication
Internet (1900)

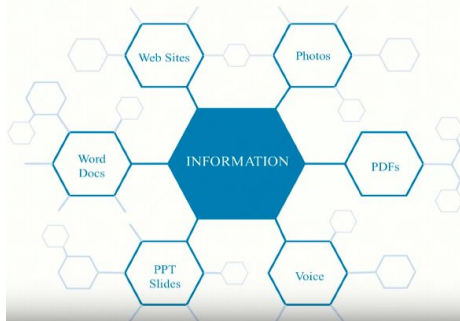


Fills the trust gap
**Changes the fundamental way of
Trusting each other**
Revolutionising to finance



The 2008 Financial Crisis

THE INTERNET OF INFORMATION



Bitcoin: A Peer-to-Peer Electronic Cash System

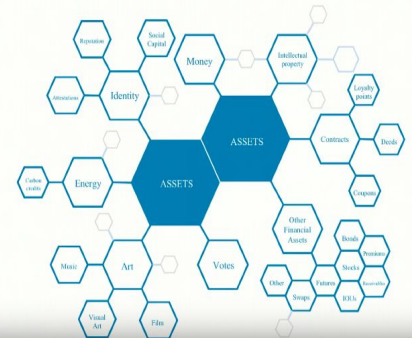
Satoshi Nakamoto
satoshi@gmx.com
www.bitcoin.org

Abstract. A purely peer-to-peer version of electronic cash would allow online payments to be sent directly from one party to another without going through a financial institution. Digital signatures provide part of the solution, but the main benefits are lost if a trusted third party is still required to prevent double-spending. We propose a solution to the double-spending problem using a peer-to-peer network. The network timestamps transactions by hashing them into an ongoing chain of hash-based proof-of-work, forming a record that cannot be changed without redoing the proof-of-work. The longest chain not only serves as proof of the sequence of events witnessed, but proof that it came from the largest pool of CPU power. As long as a majority of CPU power is controlled by nodes that are not cooperating to attack the network, they'll generate the longest chain and outpace attackers. The network itself requires minimal structure. Messages are broadcast on a best effort basis, and nodes can leave and rejoin the network at will, accepting the longest proof-of-work chain as proof of what happened while they were gone.

THE FINTECH REVOLUTION



THE INTERNET OF INFORMATION ► THE INTERNET OF VALUE



Literature Review: Where is it disrupting?

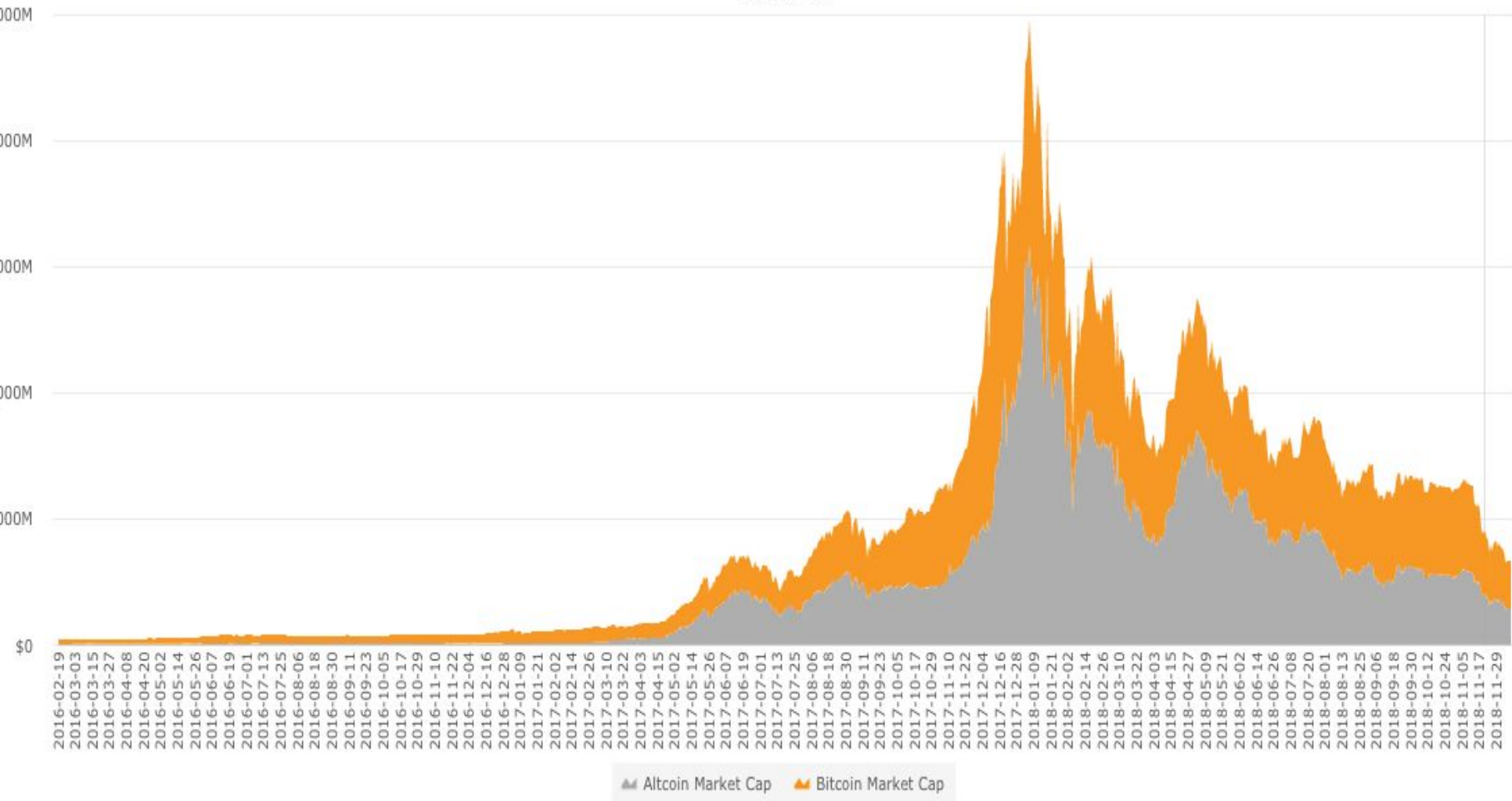
- According to this research paper conducted by ETH Zurich and Imperial College London
Wust, K. and Gervais, A. (2017). *Do you need a Blockchain?*. [online] ETH Zurich & Imperial College London. Available at: <https://eprint.iacr.org/2017/375.pdf> [Accessed 1 Dec. 2018].
 - The paper analysed three main use cases:
 - 1. Supply Chain Management
 - 2. Interbank and International Payments
 - 3. Decentralised Autonomous Organisation (DAO)
 - Blockchain is suitable for any applications where multiple parties are involved and the trust element is present.

Literature Review

- The research that had been conducted before mainly focussed on International Trades and Law.
- 1. Werbach, K. (2018). *Trust, but Verify: Why the Blockchain Needs the Law*. [online] Berkeley Law Scholarship Repository. Available at: <https://doi.org/10.15779/Z38H41JM9N> [Accessed 6 Dec. 2018].
- 2. Ganne, E. (2018). *Can Blockchain revolutionize international trade?* [online] Wto.org. World Trade Organisation Available at: https://www.wto.org/english/res_e/booksp_e/blockchainrev18_e.pdf [Accessed 10 Dec. 2018].
- 3. Caria, R. (n.d.). A Digital Revolution in International Trade? The International Legal Framework for Blockchain Technologies, Virtual Currencies and Smart Contracts: Challenges and Opportunities. [online] Uncitral.org. Available at: http://www.uncitral.org/pdf/english/congress/Papers_for_Programme/5-DE_CARIA-A_Digital_Revolution_in_International_Trade.pdf [Accessed 4 Dec. 2018].
- 4. Boucher, P., Nascimento, S. and Kritikos, M. (2017). How blockchain technology could change our lives. European Parliament. [online] Europarl.europa.eu. Available at: [http://www.europarl.europa.eu/RegData/etudes/IDAN/2017/581948/EPRS_IDA\(2017\)581948_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2017/581948/EPRS_IDA(2017)581948_EN.pdf) [Accessed 1 Dec. 2018].

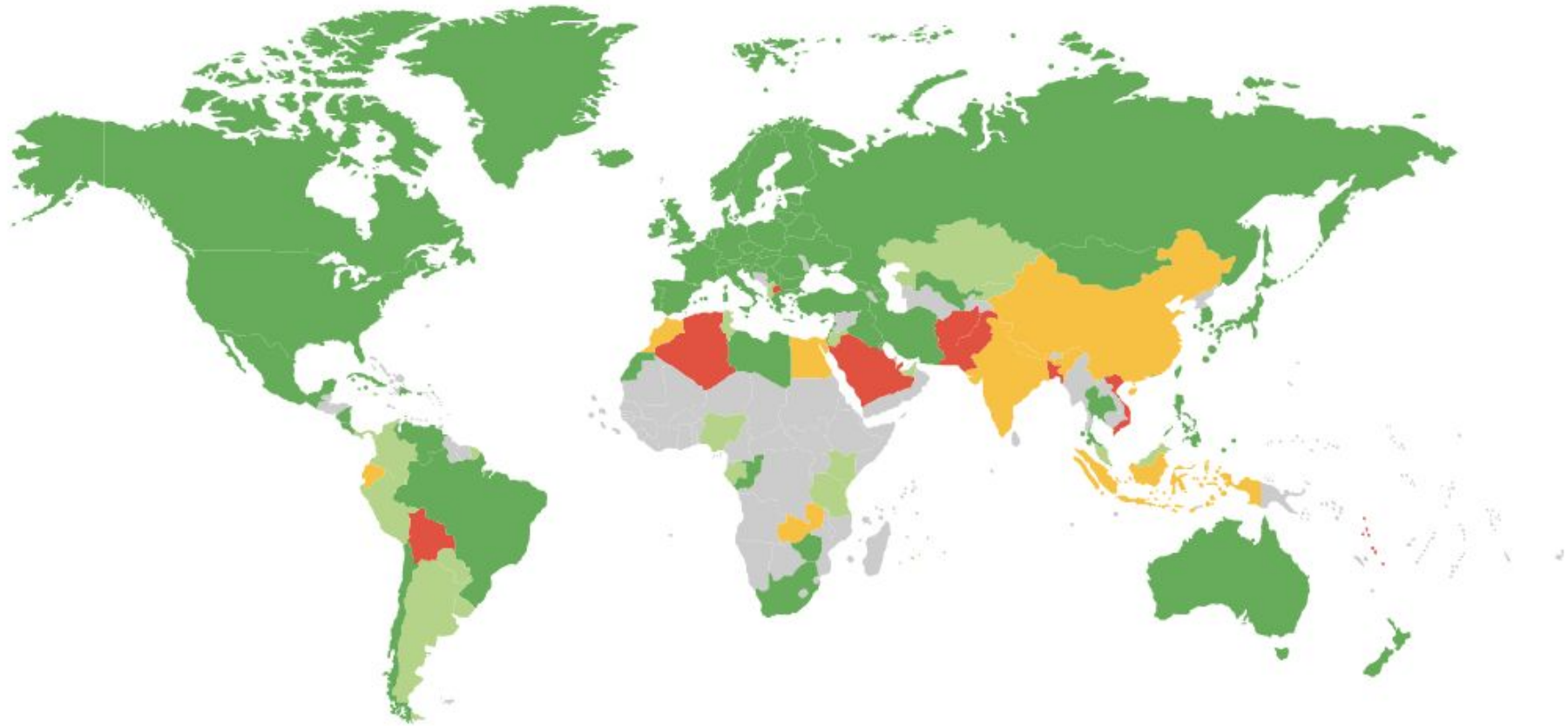
Cryptocurrency Market Caps (historical)

coin.dance



Bitcoin Legality by Country

coin.dance



Legal Alegal Restricted Illegal Unknown

Literature Review: Countries where Bitcoin is unrestricted

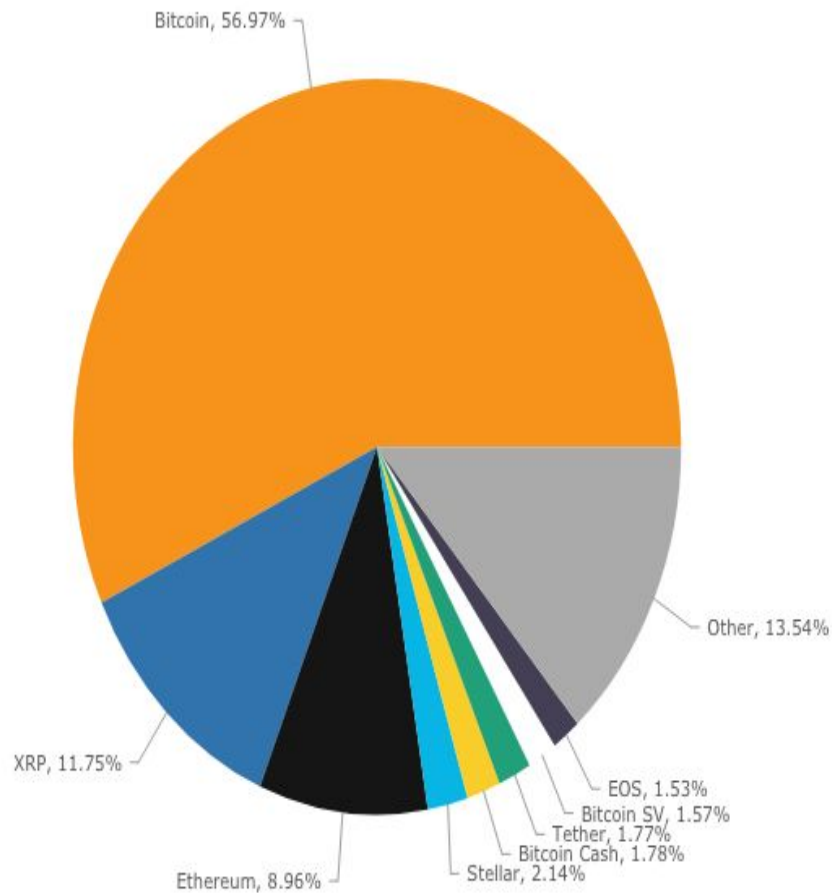
- 110/251 countries Cryptocurrency is unrestricted.

| Number of countries | Classified as |
|-------------------------------------|---------------|
| 52 (UK, Japan etc) | Currency |
| 28 (France, Israel, Hong Kong, etc) | Commodity |
| 7 (USA, Argentina, etc) | Property |
| 23 | Unclassified |

- Source: coin.dance

Cryptocurrencies by Market Cap

coin.dance



Bitcoin XRP Ethereum Stellar Bitcoin Cash Tether Bitcoin SV EOS Other

Statement of the problem

- Blockchain technology is a new technological revolution which was initiated by the rise of the Internet and various Internet protocols
- Blockchain can be compared to the Internet Revolution of 1990s
- By gathering data of permissionless blockchains; parallel with the data of internet revolution can be made and can be proven that bitcoin and blockchain is here to stay

Research Question

- Can blockchain be a decentralised solution to International Integration?
 - International Integration is a broad topic
 - In this study, I will primarily focus on economic integration

Hypothesis

H1: Blockchain is receiving adoption because of **Financial Seclusion** of over 2.5 billion people from the global market

- i. Blockchain is receiving adoption because people and non state actors **do not trust Financial Intermediaries** (i.e. banks, government etc)
- ii. Blockchain is receiving adoption because it provides non state actors opportunities to **Challenge and Compete With State** actors by forging their own tokens (currency, smart contract etc) of financial values.

H2: Blockchain is receiving adoption because of **Technological Evolution**

Methodology

- I will test H1 only implementing mixed sets of analysis
- It is difficult to define Technological evolution so I will ignore H2
- Chapter 1: Historical Background and Literature Review
- Chapter 2: Quantitative Analysis
 - Quantitative Analysis of H1:
 - Source of data:
 - Newspapers and articles (cointelegraph, coindesk, ccn)
 - Statistical data
 - Coin.dance, Bitcoinity & Governmental Bureau
 - Blockchain data (case study)
 - Bitcoin blockchain and BIP (Bitcoin Improvement Proposals)
 - Ethereum blockchain (Smart Contract Platform), EIP and ERC (Request for Comments)

Methodology

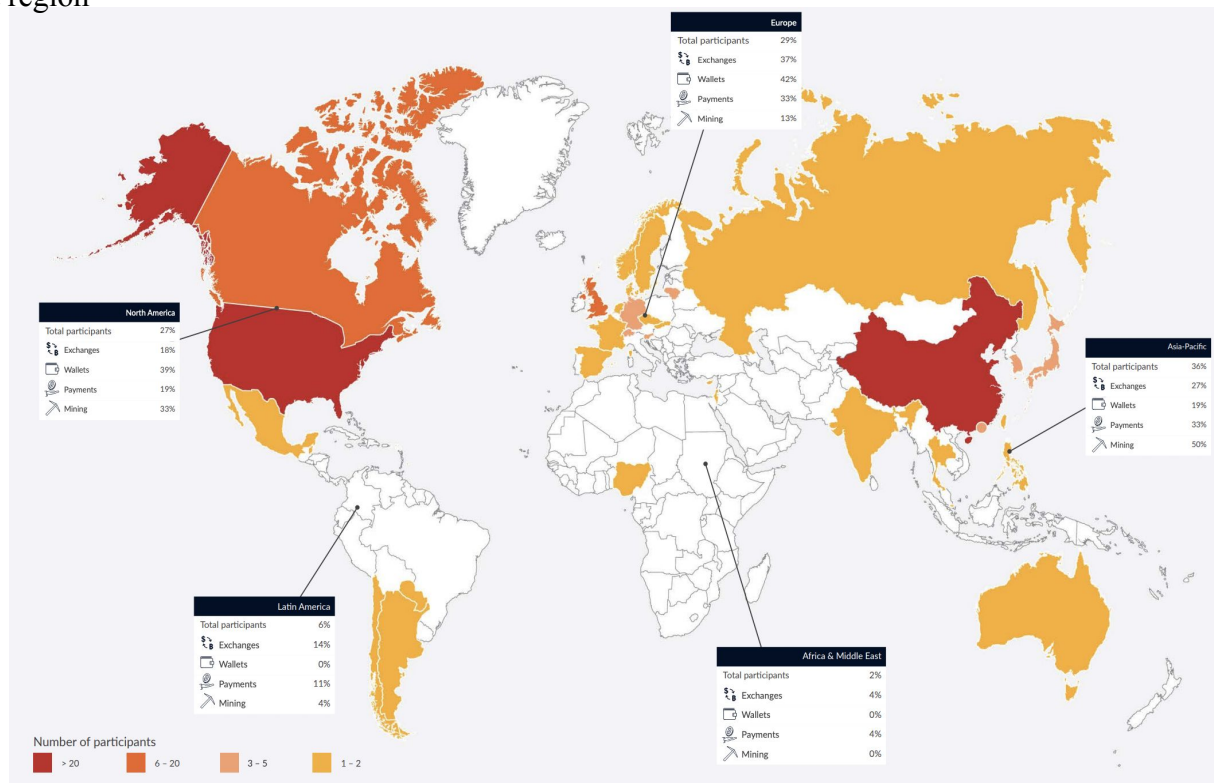
- According to WTO:
 - “Blockchains can be public, private or managed by a consortium of companies, and they can be accessible by everyone (permissionless) or restricted (permissioned)”
- I would mainly utilise the open permissionless blockchains (2008-2018) as source of my data
- I will also investigate the growth of Ethereum Blockchain (2015-2018) to evaluate Smart Contracts, DApps why it can be used more efficiently among governments

Cryptocurrency Benchmark Studies 2017 by University of Cambridge

Surveyed 38 countries in 5 different region

| By Country | Participants |
|------------|--------------|
| U.S.A | 32% |
| China | 27% |
| UK | 16% |
| Canada | 7% |

| By Region | Participants |
|------------------------|--------------|
| Asia-Pacific | 36% |
| Europe | 29% |
| North-America | 27% |
| Latin America | 6% |
| Middle East and Africa | 2% |



Bitcoin statistics

Figure: Largest Bitcoin Exchange by daily volume (12th December 2018) (Source: Bitcoinity.org)

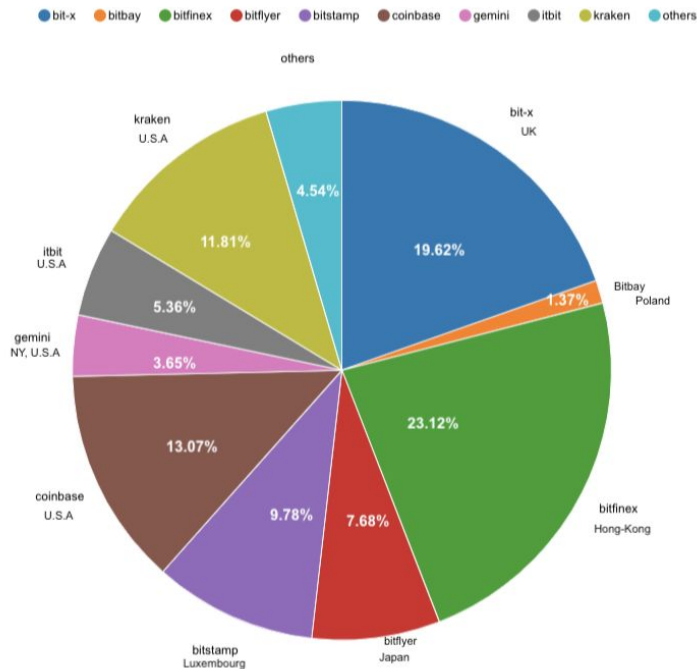
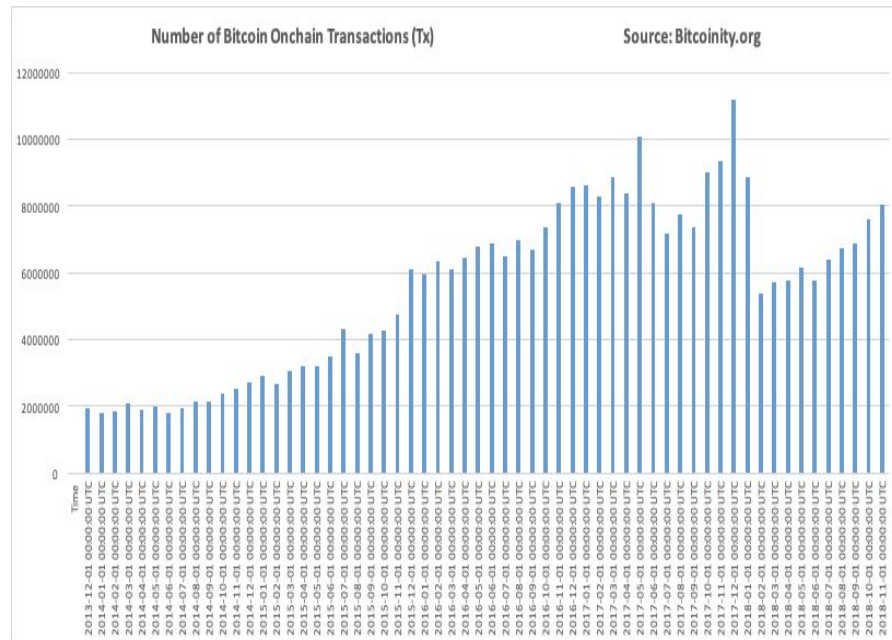
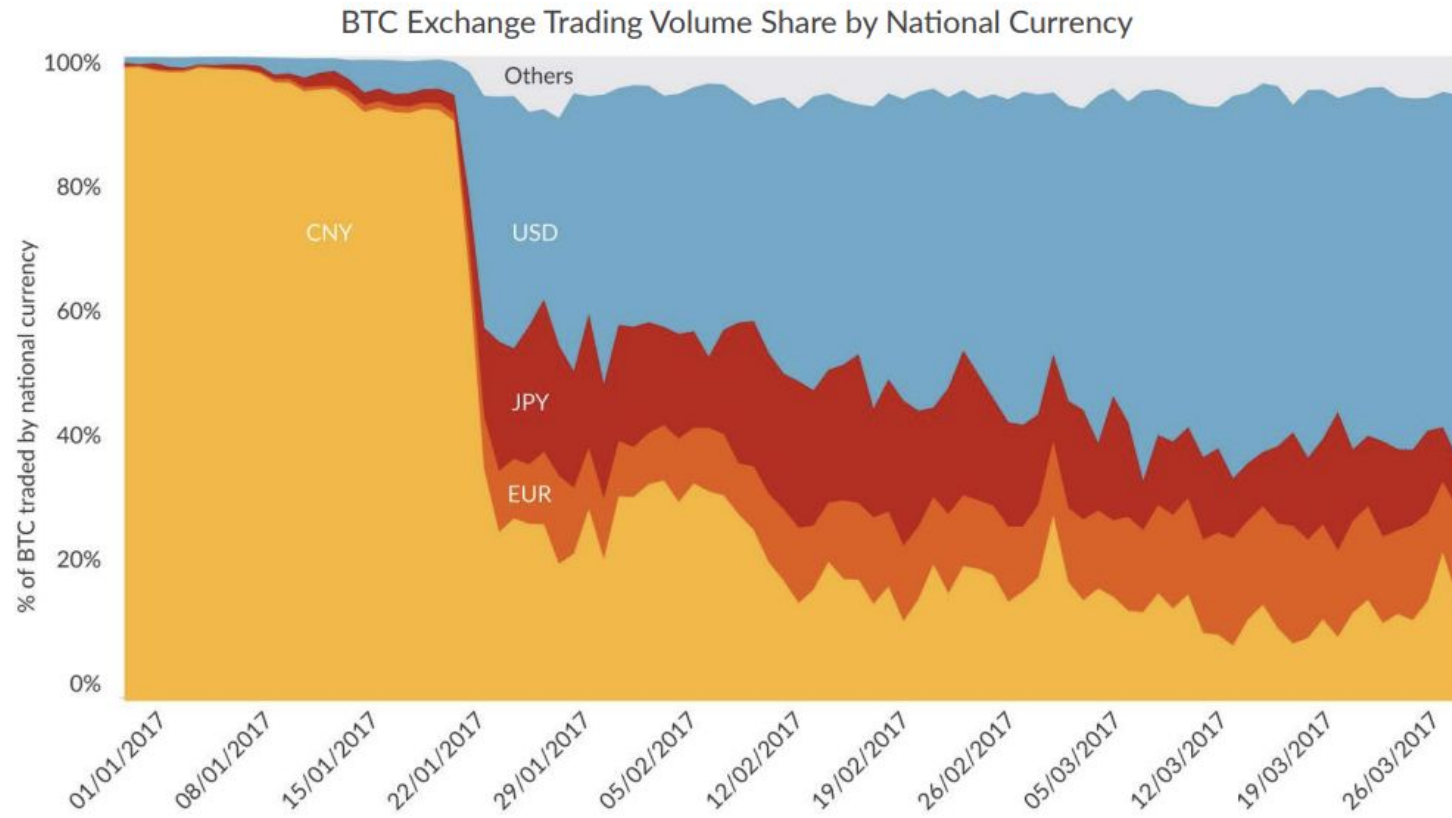


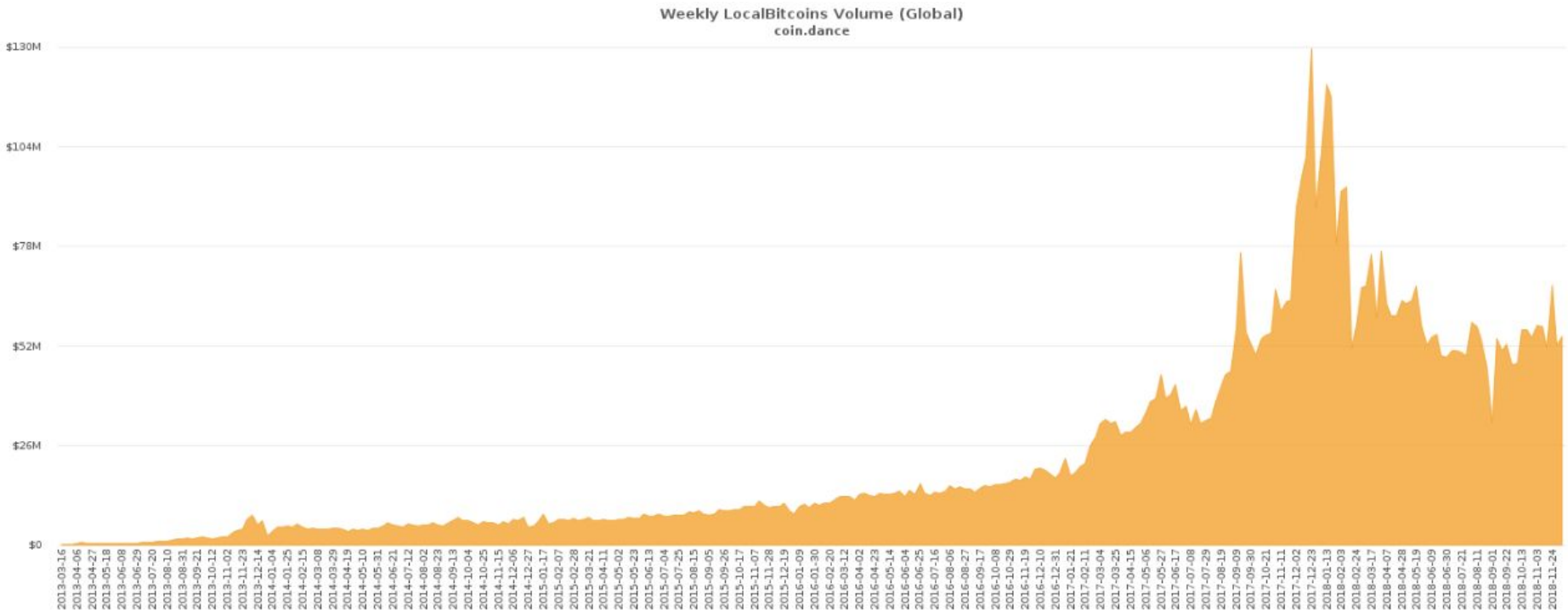
Figure: Number of Bitcoin Transactions Per Month (2013 to November 2018)



Bitcoin statistics



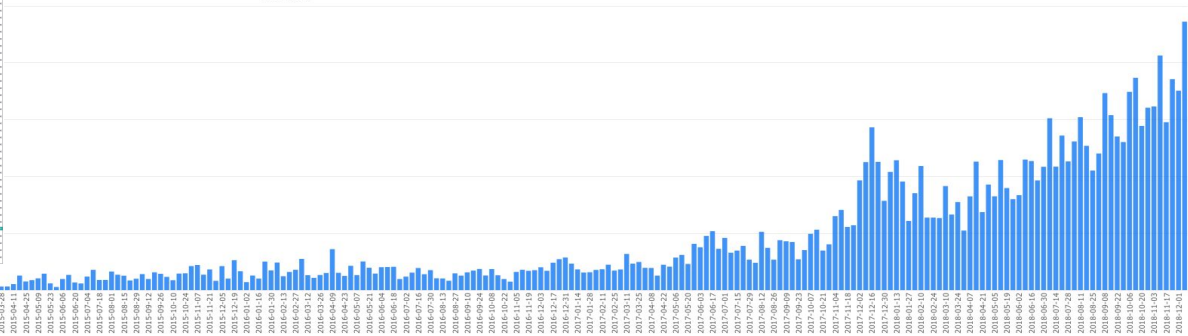
Bitcoin statistics



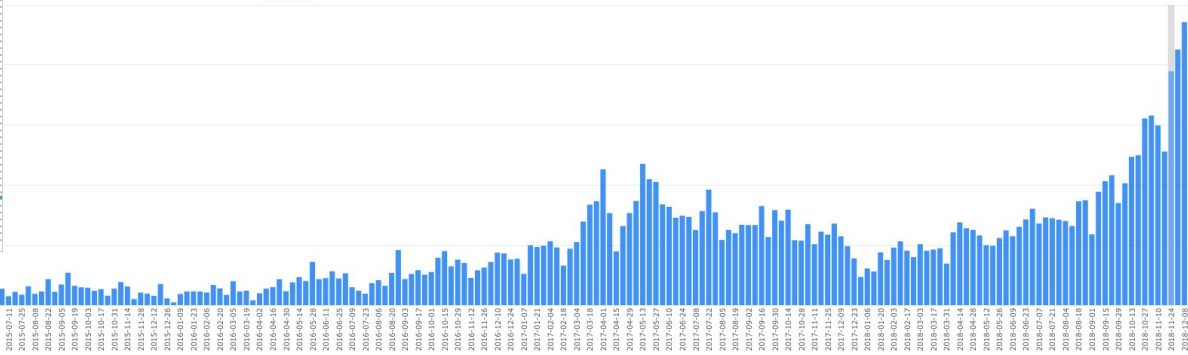
Bitcoin statistics



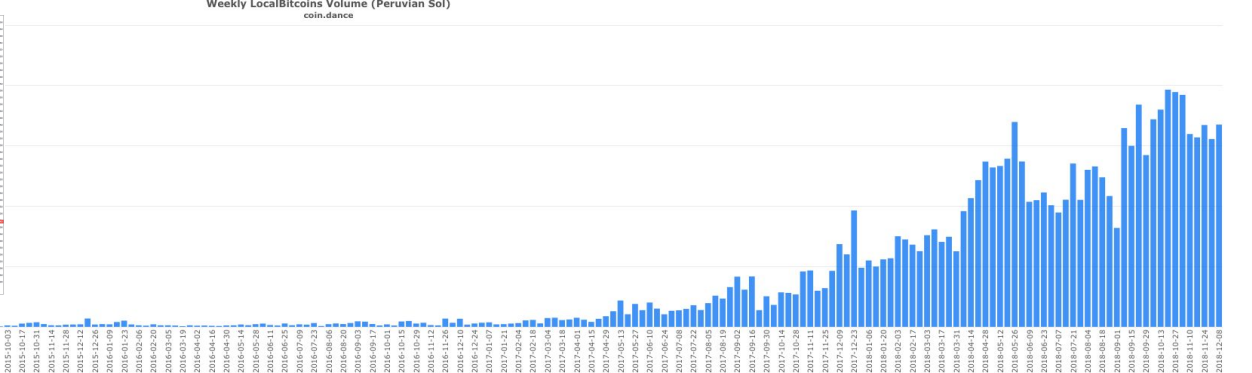
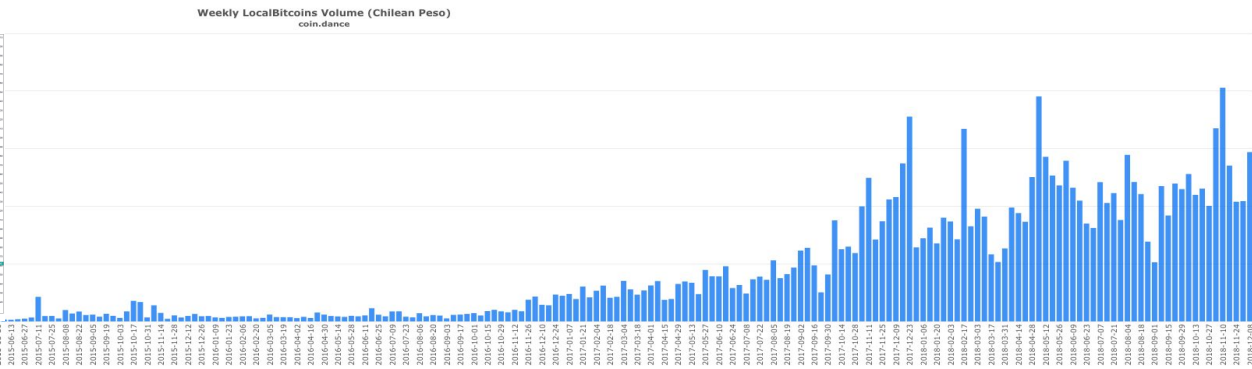
Weekly LocalBitcoins Volume (Argentine Peso)
coin.dance



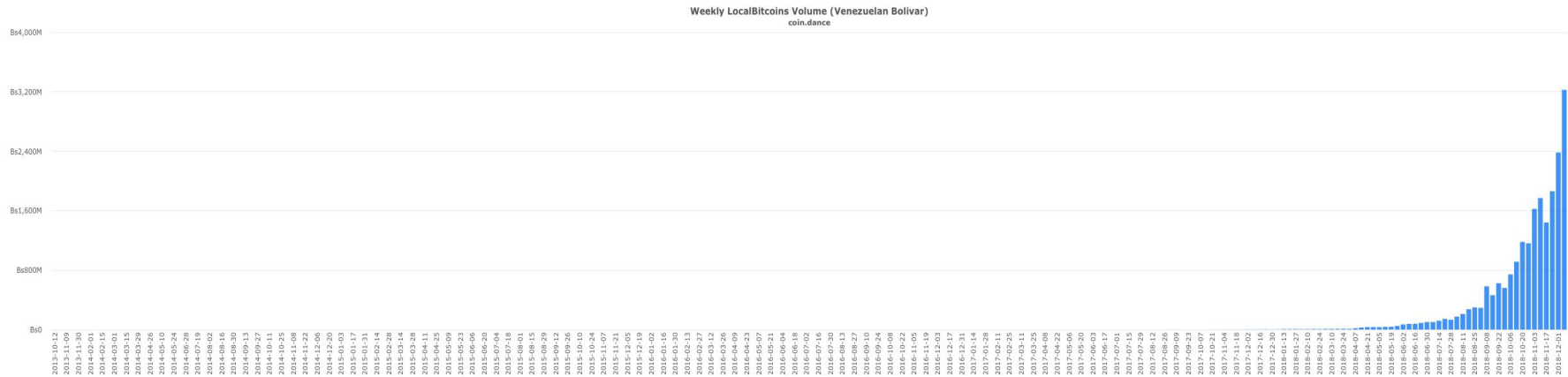
Weekly LocalBitcoins Volume (Colombian Peso)
coin.dance



Bitcoin statistics

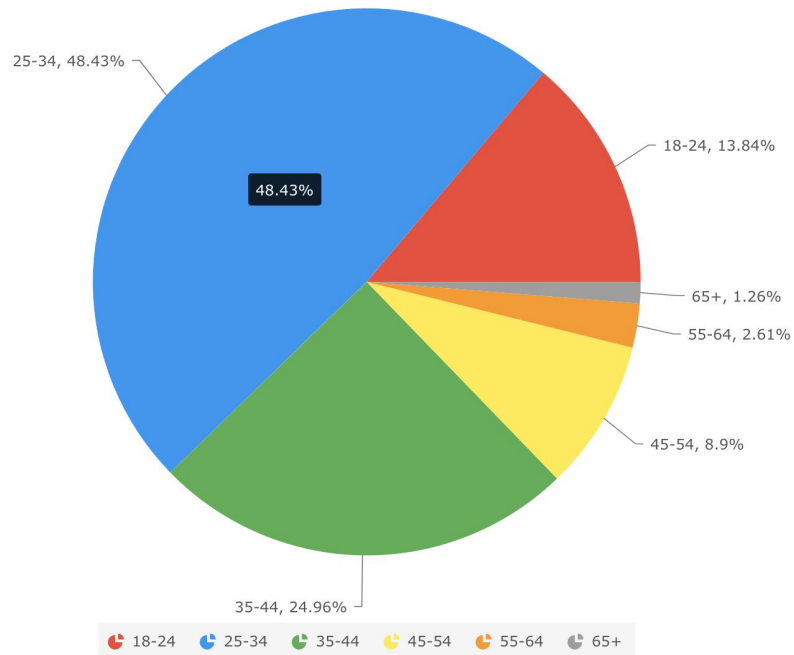


Bitcoin statistics

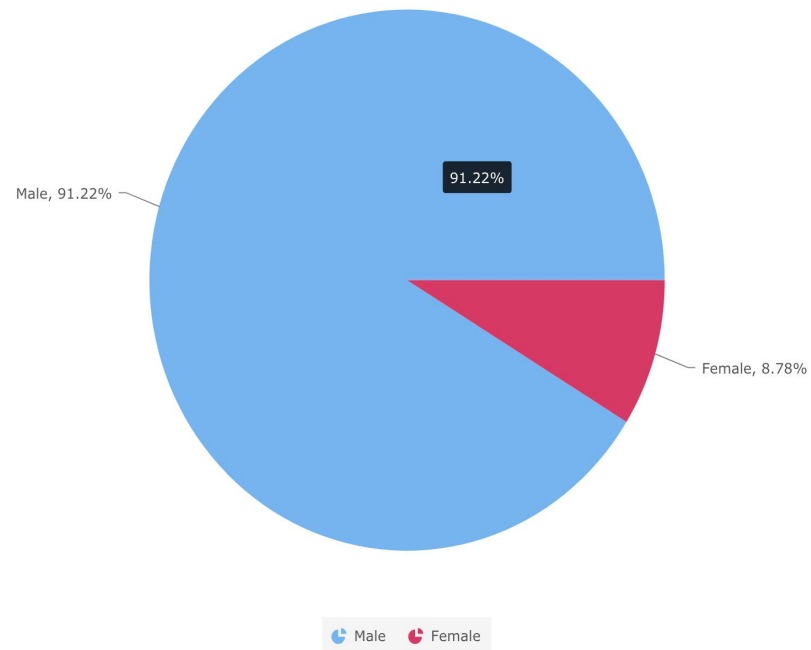


Bitcoin statistics

Bitcoin Community Engagement by Age (Google Analytics | 18+ only)
coin.dance



Bitcoin Community Engagement by Gender (Google Analytics)
coin.dance



Methodology

- Chapter 3: Technical Jargons of Cryptocurrency and Blockchain Simplified
- Chapter 4:
 - Qualitative Analysis:
 - Interviews and surveys that will be performed:
 - CEO of Bitcoin.com, Bitflyer, and other Tokyo based blockchain facilitators
 - Blockchain startups like hardware wallets, software wallets providers

Limitations of Study

- This particular field of technology is evolving rapidly, thus it is difficult to track the data
- New forks of Bitcoin (BTC) is regarded as Alt (alternative currency) such as BCH
 - Bitcoin Cash (BCH) stats will be regarded separately as an Alt. not as Bitcoin
- ICOs and Airdrops statistics will be not be included

Limitations of Study

- According to World Trade Organisation (WTO), blockchain is being used by not only cryptocurrencies but also can be used by governments
- However, the research will mainly focus on the:
 - Economics of blockchain
- Political aspects is beyond the scope of this research due to limited frame of time.

Expected Results

- I would determine the results to be true positive:
- If,
 - The data correlates with financial seclusion, lack of access to banking and currency instability
 - Developing countries are using crypto. because of currency instability
 - Developed countries are using crypto. as speculation, and automation of financial governance and innovation
- Else,
 - For a type 1 error, I can decide that:
 - People trust intermediaries thus private blockchains (e.g. XRP) are receiving adoption
 - For a type 2 error, I can decide that:
 - People do not trust intermediaries thus public blockchains are receiving adoption

Schedule until final submission

| Timestamp | Agenda |
|------------------|---|
| January-February | Statistical Analysis of Bitcoin Blockchain and Ethereum Blockchain |
| March | Surveys and Interviews of some of the Blockchain Thought Leaders |
| April | Qualitative Data Analysis |
| May | Report Progress to Professor Kim and receive advice from Professors |
| June | Conclusion and submit the final thesis |

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- CoinDesk. (2018). EU Officials Reveal €5 Million 'Blockchains for Social Good' Contest - CoinDesk. [online] Available at: <https://www.coindesk.com/eu-officials-reveal-e5-million-blockchains-social-good-contest> [Accessed 1 Dec. 2018].

Q&A

- Thank you for spending your valuable time.

Appendix 1: Use cases of Blockchain

Use case scenarios: Literally any third party based industry where multiple parties are involved

Finance

- * Real Estate
- * Financial Services (Bank)
- * Decentralised Internet (Golem, Substratum)

Retail banking

- * Cross border remittances (Bitcoin, Ripple, Litecoin, etc)
- * Mortgage verification, Mortgage contracts (smart contract) (Ethereum, EOS, Cardano, NEO, Lisk, Stratis, etc)

Public record

- * Vehicle registration, certificates ie. marriage, birth, degree, business license and ownership records etc
- * “EU offers €5 Million ‘Blockchains for Social Good’ Contest

Appendix 2: Abbreviations

- Airdrops - Crypto. bounty (A way of distributing crypto assets among the network)
- Alts - Alternative currency that emerged after BTC
- BTC - Bitcoin, peer to peer electronic cash payment network (2008)
- BCH - Bitcoin Cash (The most popular *Hard Fork* of BTC)
- Chain split - When there is political dispute in a particular blockchain network, a different child chain can emerge if consensus is not met. This event is known as *Hard Fork*, but if there is full consensus for a hard fork then no chain split will occur.
- DApps - Decentralised Applications
- DAO - Decentralised Autonomous Organisation
- DLT - Distributed Ledger Technology (i.e. Blockchain, Tangle, Hashgraph etc)
- ETH - Ethereum, a blockchain that facilitates smart contract, DApps, ICO
- ICO - Initial Coin Offering, is a way of raising money for projects in the Smart Contract platforms like Ethereum
- LN - Lightning Network, is a offchain solution to Bitcoin's and Litecoin's scalability problem
- Smart Contracts - Programmable contract which is executed in the Blockchain
- Token - Blockchain native currencies are referred as Tokens depending on their use cases
- XRP - Ripple a centralised blockchain, is used by many renowned banks worldwide

Appendix 3: Blockchain

- Blockchain is an emerging technology ¹ that revolutionises how everyone trades and interacts with each other.
- It provides unique properties of allowing mutually mistrusting entities to exchange economic values without depending on trusted third party by utilising law of mathematics and cryptographic game theory ².
- Blockchain is a form of immutable borderless, censorship resistant ledger with continuous updating record of transactions, smart contracts, code, laws etc. mainly used by cryptocurrencies. (World Trade Organisation)
- Some of the most famous open blockchains that are well knowns are Bitcoin(2009), Ethereum, Litecoin etc.
- Blockchain is also known widely as the web 3.0

1. According to world economic forum, the blockchain, Internet of things and artificial intelligence are one of the few new disruptive emerging technologies.

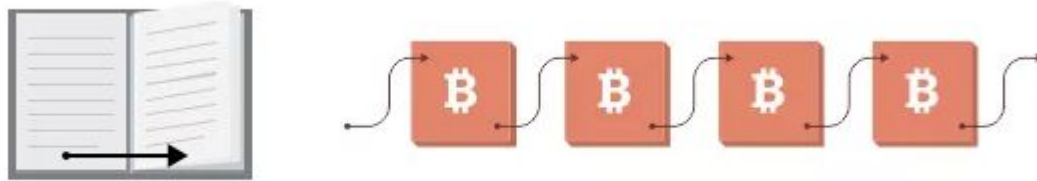
“Meyerson, B. and DiChristina, M. (2016). *Top 10 Emerging Technologies of 2016*. [online] Available at:

http://www3.weforum.org/docs/GAC16_Top10_Emerging_Technologies_2016_report.pdf [Accessed 28 Nov. 2018]”

2. See Appendix of “Hileman, Dr. G. and Rauchs, M. (2017). *GLOBAL CRYPTOCURRENCY BENCHMARKING STUDY 2017*. [online] Cambridge Centre for Alternative Finance, University of Cambridge. Available at: <https://bit.ly/2o3zHcW> [Accessed 28 Nov. 2018]”

Appendix 3: Blockchain

- In simplest analogy Blockchain is like a book, its pages are the blocks and each pages are chained together to form a chain of pages thus the name blockchain.



Source: antonylewis2015, V. (2015). *A Gentle Introduction to Blockchain Technology – Bits on Blocks*. [online] Bits on Blocks. Available at: <https://bitsonblocks.net/2015/09/09/gentle-introduction-blockchain-technology/> [Accessed 1 Dec. 2018].