

Crypto-currency and supply chains – Is there a fit?

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Participating in global supply chains is becoming an imperative, yet remains a challenging endeavour for many businesses. In 2015 World Trade Organisations members exported merchandise to the value of US\$16.2 trillion and commercial services US\$4.68 trillion. Monetary policies in developed countries and exchange rate volatility impact the price of goods, firm performance and growth of international trade. One of the many risks for participating businesses in international business, especially for small to medium sized business, is foreign exchange risk generally managed through hedging and invoicing risks. In this context, invoicing currency strategy is an important factor for supply chains and is indicative of the level of economic risk and which parties bear risks in global supply chains. This research explores and compares management techniques for exchange rate exposure in the currency payment processes and though the use of different currencies when deploying block chain technology and crypto-currency. This draws on data on the invoicing practices of buyers and sellers in Australia which is analysed to determine exporters invoicing currency at an aggregate level by industry. Values of buyer currency, seller currency and vehicle currency are then compared with the potential for cryptocurrency to enable a single currency global trading environment, where monetary policy is not in the control of any one countries central governing body. The paper finds that Australian exporters will have new and optimal instruments at hand to limit the adverse impact of exchange rate volatility embedded in current payment processes which can be eliminated or more easily managed through the deployment of emerging solutions.

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