

# The Year of the Storyteller

2023 Outlook  
FEBRUARY 2023



**Botho**  
Emerging Markets Group

# Once Upon a Time...

The world is resetting.

The last few years have been incredibly tumultuous. In a relatively short amount of time, humanity has had to contend with a rash of acute and protracted crises - a global pandemic, the intensifying ravages of climate change, war, economic turmoil, to name just a few. As these different pressure points intersect and interlock, they are driving us towards a collective social, political, and economic inflection point.

To begin, **we're seeing growing fissures in neoliberalism**, which has profoundly shaped our economic and social lives since the 1970s. While the unfettered reign of free markets has not been devoid of criticism and resistance over the decades, the world has nonetheless become more and more dichotomous in its organization and thinking, to the point where neoliberal capitalism is in some ways pedaled as the only acceptable counterpoint to the perils - whether real or perceived - of communism. This notion is coming under increasing pressure, accelerated undoubtedly by the pandemic, and spearheaded by young people, who are facing the brunt of the shortcomings of extant socio-economic systems.

In tandem with this progressively visible unraveling of the neoliberal hegemony - and perhaps even as a result of it - we're seeing a **rise in minilateralism**. Broad multilateral arrangements are becoming increasingly unwieldy, hamstrung by competing interests and clashing politics. Consequently, smaller,

more fluid alliances that are tightly circumscribed by a limited set of strategic interests are starting to emerge as powerful counterbalancing forces. These **political special purpose vehicles (SPVs)** will continue to challenge established power centers and act as a propulsive force towards a truly multipolar world, driven by a handful of geopolitical wildcards, mostly based in the so-called Global South. And as emerging markets start to pay higher dividends on the economic front, this will translate into greater geopolitical heft.

Finally, in a world where information is instantaneous, diffused, and always open to interpretation, we think that those who tell the better story will come out ahead - economically and politically. While the world is far more complex and untidy than Winston Churchill gave it credit for when he said that history will always be written by the "victors", social media, algorithms and a heretofore unparalleled facility for disinformation have together granted extraordinary influence to narratives.

This is why, at the end of the day, we believe that **2023 will be the year of the storytellers**.

In homage to these storytellers, we have organized our analysis of the year ahead according to five archetypes of a really good tale - The Plot Twist, The Unsung Heroes, The Shapeshifter, The Nemeses, and The Villain - because, ultimately, reality is usually far more intriguing than any work of fiction.



JOSHUA FULLER | PM OF BANGLADESH SHEIKH HASINA MEETS PRESIDENT OF INDIA DROUPADI MURMU

# The Plot Twist (i.e. The Great Decoupling)

*Numerous analysts still perceive the world to be bipolar, with the deepening rift and rivalry between the US and China serving as an impetus for other, lesser powers to align with either country. The notion of a global decoupling has generally been used to describe a world characterized by two competing systems - one led by the US and the other led by China. In our case, the Great Decoupling refers to the progressive dissolution of a bipolar world. We think, if anything, that what we are witnessing is the advent of true multipolarity, with ever-widening ruptures in Great Power Politics and a growing pull towards minilateralism.*

## Significant Trends in Minilateralism

Minilateralism is manifesting in two important ways: with the formation and deepening of new alliances, and with the weakening of traditional partnerships.

The Abraham Accords, which came into effect in September 2020, is the first major move towards the normalization of Arab-Israeli relations since the Israel-Jordan Peace Treaty in 1994. It serves, in some ways, as a defining moment in minilateralism, where narrower strategic interests have come to trump political stances maintained over decades.

Other important examples of minilateralism include the imminent expansion of BRICS to [BRICS Plus](#), with countries as diverse as Argentina, Saudi Arabia, and Algeria vying for entry into the group. The admission of new members is likely to be decided some time this year.

Meanwhile, OPEC+ nations have already demonstrated the power of their minilateral arrangement in the face of broader global powers and interests, [holding firm](#) on their oil output policy after reducing production last year despite extensive lobbying efforts by the US government.

Underpinning these developments is a clear erosion of certain long-standing alliances. A major actor in this reconfiguration is the Kingdom of Saudi Arabia, whose involvement in the Abraham Accords, interest

in BRICS Plus, and [positioning](#) in OPEC+ are a clear indication of the country's moves away from long-standing partner, USA, towards other allies. In light of this, we foresee that Saudi Arabia will remain a major player in minilateralism, serving as a gauge for where and how notable alliances are likely to form and shift in the foreseeable future.

In addition to Saudi Arabia, other countries that are likely to muddy the geopolitical waters include India, whose position as chair of the G20 this year is likely to bring its friendly relationship with Russia under greater scrutiny and pressure; Turkey, which is playing multiple sides as a NATO member, with strategic interests in Asia, the Middle East, and Africa; and Brazil, whose recently re-elected President, Lula da Silva, is far likelier than his predecessor to pursue an independent and multi-pronged foreign policy agenda.

We also predict that the African continent will remain an important point of convergence for geopolitical maneuvers, as various international players look to coalesce both economic and political power. Russia's invasion of Ukraine last year precipitated a flurry of activity across the continent, as different countries sought to secure their energy needs, including high level visits from France, Germany, the USA, Russia, and China. African countries have an opportunity to leverage this surge in attention and exert their own agency and interests. Otherwise, in the absence of its own minilateral plays, the continent will be relegated to the role of a buffer in global power politics.

## Flashpoints in Great Power Politics

While old alliances are transforming and even dissolving, long-standing rivalries are heating up.

There is an increasing likelihood of an outright NATO/Russia conflict - whether intentional or accidental. Although initially appearing to head towards a war of attrition, Germany's recent decision to allow the export of Leopard 1 battle tanks to Ukraine, coupled with the USA's proactive involvement - from supplying Patriot missiles to training Ukrainian troops - has

decisively altered this trajectory. Moreover, Russia's conflict with Ukraine may end up serving as a template for how conflict and the alliances surrounding it translate in a multilateral world. Competing interests within NATO itself - with Turkey supplying Ukraine with drones while simultaneously opposing select sanctions against Russia; Germany's reluctance in escalating the conflict by supplying Ukraine with weapons; and Poland's willingness to [sidestep](#) Germany entirely if need be - signals that it is getting increasingly tougher to adopt black-and-white, principled positions. Consequently, we are likely to witness a rise in the number of protracted conflicts,

resulting from allies failing to take decisive action, because they are having to contend with conflicting priorities that trump unifying political ideologies.

On the other hand, there is a medium chance of the intensifying strategic competition between the US and China bubbling over into a proxy, if not outright, conflict centered around Taiwan. China may be looking towards Ukraine to see how Russia's persistently aggressive stance ultimately plays out. In the meantime, China has its own precedent for resorting to outright force - including their overt takeover of Hong Kong in 2020.



VIKTORIA FILIPCHENKO | WARSAW ON THE FIRST DAY OF THE FULL-SCALE WAR IN UKRAINE

# The Unsung Heroes

*The entire world is preparing for a collective belt-tightening, with growth slowing to 2.9%. The IMF paints a grim picture of what's to come, anticipating "the weakest growth profile since 2001" where millions of people globally will likely feel the effects of, if not a full-blown recession, at least a softening of the global economy. That said, there will still be a few bright spots, all scattered across developing and emerging economies.*

China's reopening has led to a more cautiously optimistic view of the world's economic prospects this year. The US will still experience a recession, although likely not as acute as previously predicted coupled with a modest rebound towards the end of the year. Europe will be buoyed to an extent by Germany, although still likely to contract overall. Meanwhile, both Japan and the UK have enjoyed marginal upward predictions in their respective growth rates.

Nonetheless, despite these slight improvements in the developed world, real growth remains squarely centered around the Global South.

In 2022, four out of the five best economic performers globally were all from Asia - namely Saudi Arabia, India, Indonesia and China. Although 2023 growth forecasts were adjusted downwards for Southeast Asia's four largest economies - primarily due to earlier concerns about a global recession - their projected growth rates are still higher than the global average. Meanwhile, in the Middle East, Saudi Arabia emerges as the clear winner, as the fastest growing country in the world in 2022, and expected to sustain 5% growth throughout 2023.

Meanwhile, Africa continues to significantly outpace global growth averages, despite having to contend with various structural challenges, including servicing expensive external debt; climbing food and energy costs; and the ongoing effects of climate change, among others. Rwanda (7.9%), Côte d'Ivoire (7.1%), Benin (6.4%), Ethiopia (6.0%), and Tanzania (5.6%) will be among the world's fastest growing countries in 2023, with Senegal and Niger leading the pack at 9.3% and 9.4%, respectively.

All in all, **we're still betting on emerging markets.**



# The Shapeshifter

*As long as green energy continues to be viewed more as a security hedge than a fundamental, existential imperative, the world will continue to take one step forward, two steps back when it comes to addressing climate change. The short-medium term will continue to witness a doubling down of investments in fossil fuels, notably oil and gas. Meanwhile, investments towards green/renewable energy will be propelled more so by security considerations, rather than a concerted move towards curbing global warming. Africa will remain a major focal point for both conventional and new energy sources.*

## Fossil Fuel Frenzy

The Russia-Ukraine war illustrated the fragility of global commitments towards tackling climate change. In an effort to reduce reliance on Russian gas, Europe made a firm and clear pivot towards Africa, doubling down on old producers, as well as paving the way for new ones, fueled by new discoveries in unexpected locations, such as [Namibia](#). Last year deals were inked in disparate locations across the continent, from Algeria and Egypt, to Tanzania and Nigeria, to Mozambique. Meanwhile, Senegal’s first gas export project is set to pay dividends this year.

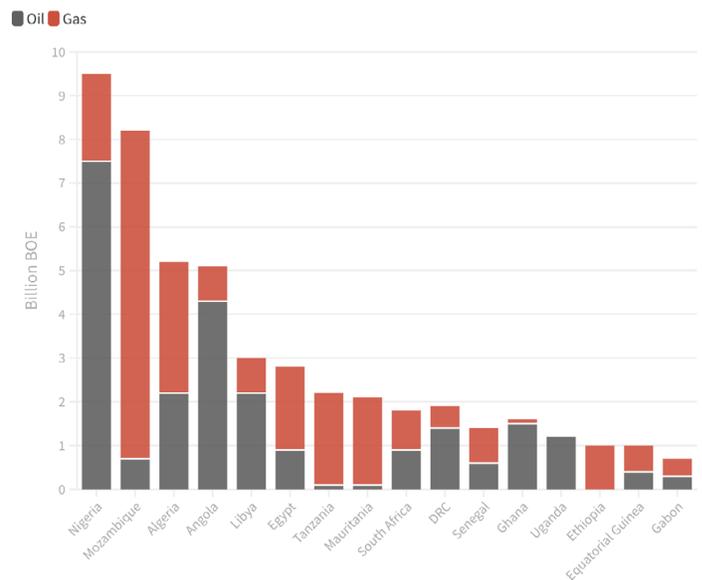
## No Escaping Extractives

On the other hand, extractives remain integral to the transition towards green energy. Africa is home to significant deposits of graphite, lithium, and cobalt - minerals that are essential to the production of clean energy technologies. Their production could [increase](#) by 500% by 2050 to meet projected demand. Despite the central role that the African continent plays in this, several seminal policy frameworks and programs, such as the African Continental Free Trade Agreement (AfCFTA), the Africa Green Stimulus Program, Agenda 2063, and the Africa Mining Vision, do not explicitly address the interdependence between minerals and the green economy. Although individual African countries, like [Zimbabwe](#), are being more assertive about protecting their core minerals,

the continent will need to consolidate its policy towards key commodity value chains - especially under the AfCFTA - in order to make a real difference in how the continent is positioned in the green transition and energy security dialogues at large.

Finally, among emerging energy technologies, we’re keeping a close eye on hydrogen - especially green hydrogen. Forty countries have unveiled green hydrogen strategies and related initiatives, indicating that the fuel is gaining momentum as a potential future energy source. The Gulf countries are set to play a defining role in the global uptake of green hydrogen, while the African continent has also caught the interest of foreign investors for its potential to develop large quantities of the fuel. Although prohibitive costs are likely to hamper private sector interest especially in the short-medium term.

**Top African countries for oil and gas production from new projects, 2020-2050**



Source: [Oil Change International](#)

# The Nemeses

*2023 is likely to undergo deepening polarization between the political left, responding in large part to the failures of neoliberal capitalism, and the political right, which is in turn reacting to the shortcomings of globalization. The expanding right-wing political wave is cause for concern from a socio-political standpoint. However, despite the accompanying anti-immigration, ultranationalist (i.e. protectionist) rhetoric, we don't foresee these political shifts deterring investment flows in the short to medium terms, particularly for established global geopolitical and economic players.*

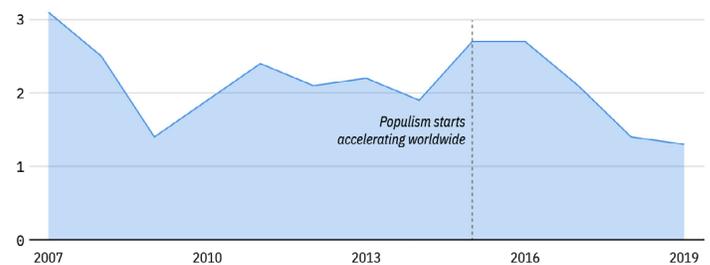
## A new left in response to the old (neoliberal) guard

Latin America has seen a resurgence of left-leaning governments in numerous countries, including Mexico, Argentina, Brazil, Colombia, Chile, and Bolivia. While some analysts are drawing parallels between this wave of leftist governments and the “Pink Tide” of the early 21st century, this cohort of progressives is fundamentally different from its

predecessor. Moving away from more traditional forms of socialism, leaders like Chilean President Gabriel Boric [represent](#) the immense power of young people to demand and effect reform, and the need for governments to pay real attention to their needs. Meanwhile, Colombia’s Gustavo Petro is developing a reputation as a pragmatist, who is willing to both [negotiate](#) and compromise with a wide set of domestic and international actors.

### Populism slows global foreign direct investment

Global net FDI inflows, current \$trn



Source: World Bank



Broadly, this new guard of progressive leaders has the potential to expand the global imagination in terms of what alternatives may be developed beyond the prevailing neoliberal capitalist system. Geopolitically, as these governments explore new avenues for investment and partnerships in order to reinvigorate sluggish economies still contending with the aftermath of the pandemic, we're likely to see more South-South activity, including new opportunities for Africa-Latin America ties, especially given some of their structural similarities, with both regions serving as major producers and suppliers of agricultural commodities and green minerals.

**Revisionist history: will nationalism unravel globalization?**

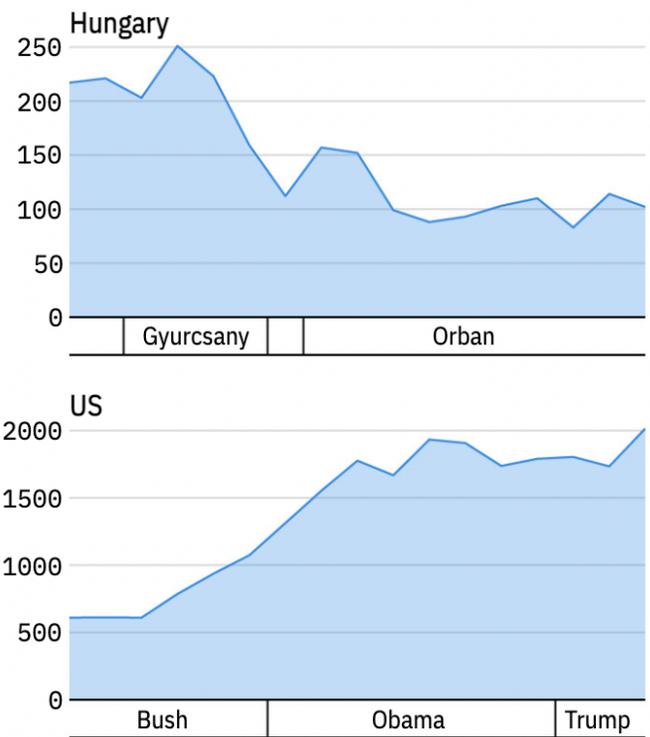
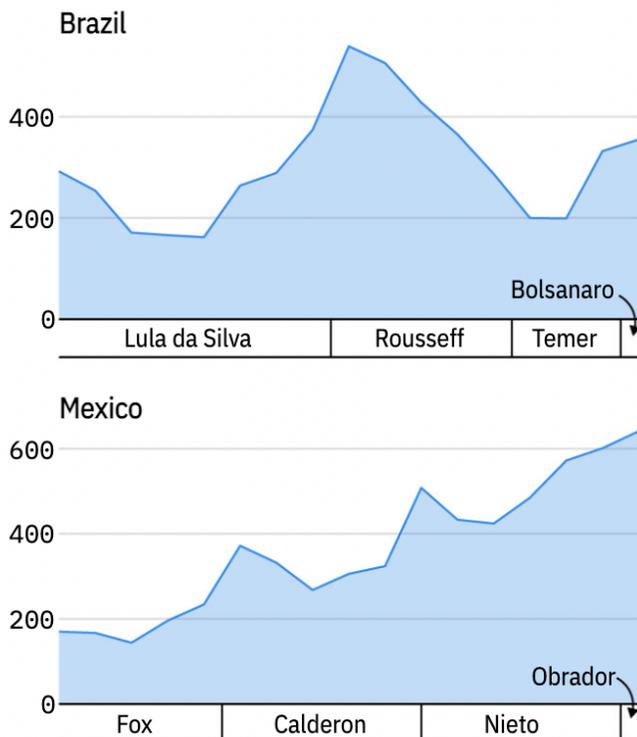
Elsewhere in the world, we're witnessing the expansion of right-wing nationalism, in a wide array of countries, including Italy, Sweden, Hungary, Poland, India, and France, among others. Although right-wing nationalist rhetoric is in direct opposition

to globalization, these countries continue to [attract](#) foreign direct investment (FDI), especially if they are already political and economic heavyweights. Therefore, in the short-medium term, these governments are unlikely to deter investments, although in the long-run, populist governments in general do tend to deter FDI overall.

Beyond the economic impact, however, another by-product of right-wing nationalism is a tendency towards [revisionist history](#): "History gnaws at France's sense of itself [...] It occupies the rhetoric of demagogues in Poland and Turkey, and strongmen in Russia and China. It fans the flames of religious bigotry in India, the world's largest democracy." This deliberate obfuscation - even erasure - of history to tap into popular sentiment for political gains will cause profound rifts in core issues that require social and political cohesion - from migration to climate change. And is being compounded significantly by social media and predictive algorithms.

**Populists still attract foreign investment**

Number of incoming greenfield FDI projects 2003-19



Source: UNCTAD/FT

# The Villain

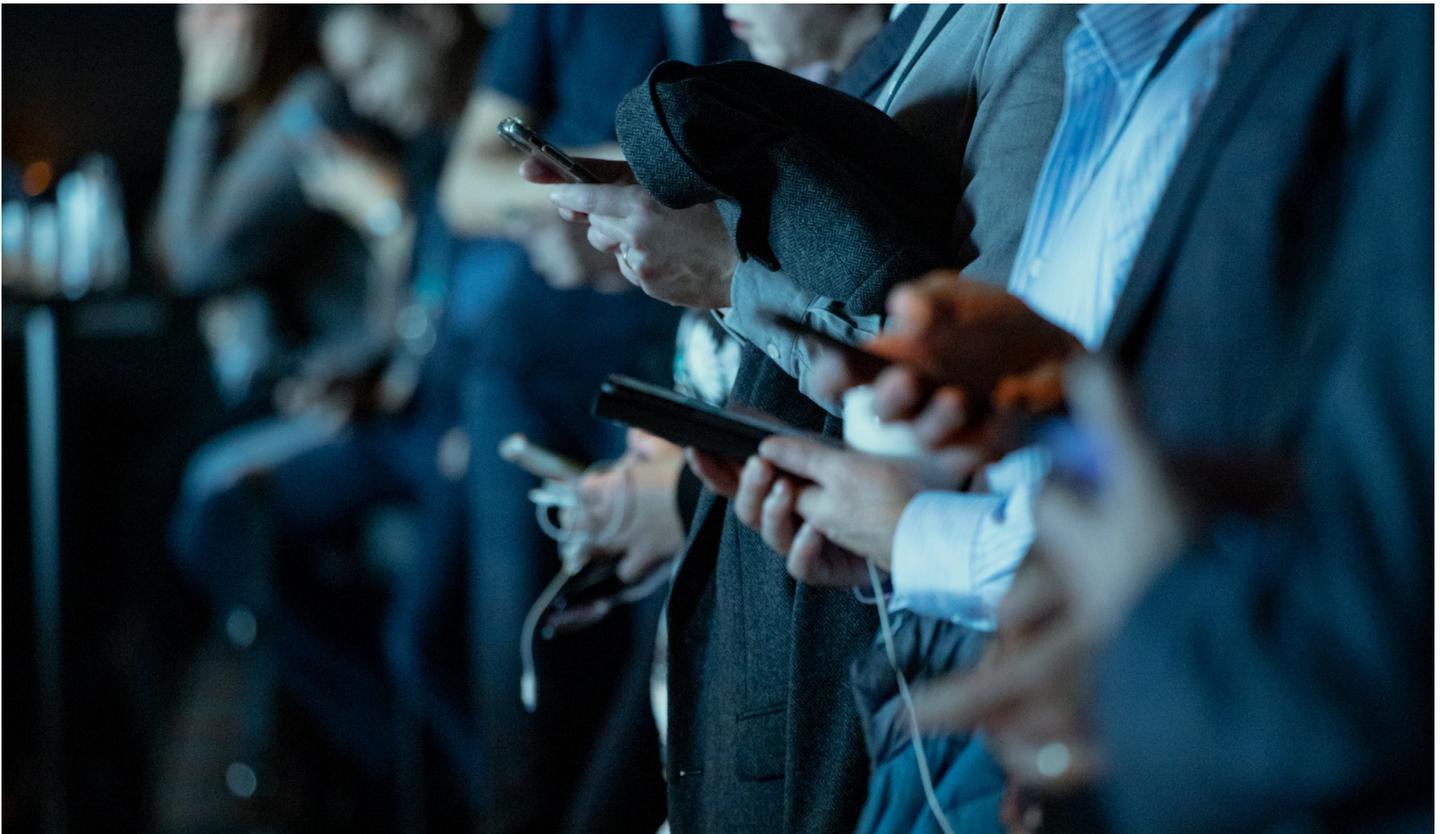
*The convergence of market democratization, mis/skewed information, and groupthink means that institutional investors need to pay more attention to disinformation and “fake” news in general. And as algorithms have proven to sway individual decision-making at unprecedented scales - leading to seismic political and economic shifts - we’ll see more intersections between the geopolitics of disinformation and financial markets.*

## **Slaves to the algorithm: the powers and pitfalls of misinformed individuals**

The expansion of social media and the resulting ability of foreign governments and nongovernmental actors to interfere in local affairs is a real policy dilemma. From Brexit to Cambridge Analytica, we’re seeing the ways in which algorithms have real-life political and economic consequences by influencing decision-making at scale. The convergence of old-school

political propaganda with algorithms and social media lends hitherto unseen levels of influence and reach to narratives.

Furthermore, we’re also likely to see more intersections between the geopolitics of disinformation and financial markets, specifically. Incidents like the 2021 “revolt” by amateur investors on Reddit, who collectively caused GameStop’s stock price to skyrocket, are likely to become increasingly frequent over time, as more and more individuals are able to trade via their devices. Notably, this particular incident was ideologically motivated - [serving](#) as a form of “‘activism investment’ and an anti-Wall Street establishment movement.” While not all future bottom-up trade movements will be socially or politically motivated, this is yet another avenue through which the neoliberal establishment will continue to be challenged.





## About Botho Emerging Markets Group

Emerging markets are home to 85% of the world's population — and us.

Botho is a leading investment advisory and strategy consulting firm working on redefining and redirecting Africa's position among emerging markets.

For over a decade, Botho Emerging Markets Group has been a leader in guiding Fortune 500 companies, governments, development institutions, small businesses, and nonprofits in navigating the world's fastest growing markets.

We are entrepreneurs and investors, thought leaders and scholars. Creatives and innovators connecting capital, catalysing conversations, and creating opportunities to implement solutions to complex global problems. We are guided by a common set of values: curiosity, collaboration, and impact.

What we learn from collaborating closely with SMEs and multinational companies as well as government and international organisations, we share to advance a more sustainable, inclusive world.

## Botho Advisory Services

Botho offers strategic advice to the public and private sectors that build partnerships across the Global South to accelerate private sector development. As Asia, Latin America, the Middle East and Africa increase their share of global growth, we help governments and businesses navigate changing economic, social, and policy environments. Our tailored expert analysis enables our clients to engage more effectively with key stakeholders, and identify effective tools that support strategic priorities.

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