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POLITICS OF THE FUEL SUBSIDY REGIME, SUBSIDY REMOVAL, AND NIGERIA'S EXTERNAL RELATIONS

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ABSTRACT

This study examines the implications of fuel subsidy removal for Nigeria's external relations. Employing the ex-post facto research design, the primary data for the study were generated from focus group discussions with foremost economists, policy analysts, and experts in the oil sector. Other information was sourced from texts, periodical reports of the Central Bank of Nigeria, National Bureau of Statistics, Petroleum Products Pricing Regulatory Agency, Nigerian National Petroleum Corporation Limited, and Nigerian Statistical Bulletin. A qualitative descriptive method is used to analyse the data. Anchored on a theoretical perspective of linkage politics, the study finds that subsidy removal, which is Nigeria's domestic policy, has far-reaching impacts on the nation's external relations. The policy ultimately shapes relations between Nigeria and other states on the global scene. Nigeria must effectively manage the challenges brought about by subsidy removal to maintain and strengthen its international ties and to open doors for more trade and investment with nations that are strategic to its development aspirations.

Keywords: Fuel subsidy; subsidy regime; subsidy removal; immediate neighbours; Nigeria's external relations.

Introduction

Since the emergence of the modern state system following the signing of the Peace Treaty of Westphalia in 1648 and the subsequent advent of the present-day world order, states have fundamentally built on the tripod of preserving their territorial terrain, projecting the collective welfare of their citizens, and forging global partnerships and collaborations with other nations. Specifically, the government of every sovereign or independent state owes its citizens some duties, such as providing a reasonable amount of security and pursuing the welfare and well-being of the people. However, the principles of equal opportunity, fair wealth distribution, and public accountability must form the foundation for the protection and advancement of citizens' economic

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and social well-being. A leading utilitarian thinker, John Stuart Mill (cited in Nathanson, 2012, p. 1), posits that "the welfare and well-being of the citizens provide the central moral criterion for evaluating the actions and policies of the government". Therefore, to achieve these inherent functions, the national government is expected to harness and use its natural resources prudently.

Nigeria (referred to as the "Giant of Africa") is blessed with vast petroleum resources that can help accelerate national growth if strategically used. Despite the recent discovery of new natural and mineral resources such as lithium and diamond in some northern states of the federation, oil and gas resources constitute the major source of income and national wealth, critical for growth, development, and good governance. Since the last two decades, the nation's petroleum production has fluctuated between 2.1 and 2.5 million barrels per day, accounting for between 21% and 29% of all petroleum produced in Africa. Thus, the product is of paramount importance to the Nigerian economy. It represents 25% – 30% of the gross domestic product (GDP) and accounts for approximately 95% of the nation's foreign exchange earnings, and 85% of the federal government revenue (Siddig et al., 2014; Dickson &Asua, 2016; Nwuke, 2021).

Over the past five decades, petroleum has been Nigeria's top export commodity, thus making the nation strongly dependent on the product. Interestingly, high dependence on oil resources is common among developing and underdeveloped countries such as Brunei, Kuwait, Libya, the Democratic Republic of Congo, Saudi Arabia, Singapore, and Algeria (McCarthy, 2016). As a result, overdependence on oil or petroleum resource revenues has caused an economic recession in many oil-producing countries, due to the severe drop in global oil prices (Dickson & Ezirim, 2017; Adeola *et al.*, 2022), and during the outbreak of the COVID-19, pandemic which created major economic shocks resulting in retardation in key economic activities globally (Dickson, 2021a), in addition to the series of conflicts over the control and management of resources to improve the lives of many citizens in these countries.

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Since its return to democratic rule in 1999, Nigeria has earned trillions of naira from the sale of petroleum products. For instance, from 1999 to 2016, the nation earned as much as $677.9 billion from the sale of the product (Okafor, 2018). Between 2017 and 2021, the country made a total sum of $195 billion from the export of crude oil, amounting to an average of $39 billion per annum. In 2022, Nigeria realised #21 trillion ($45.6 billion) from the sale of oil, amounting to about 46.41% from #14.41 trillion in 2021. Furthermore, the country sold #5.6 trillion worth of products in the first quarter of 2022 and #5.9 trillion in the second quarter of the same year. These eventually provided an opportunity for the country's increased revenue, expenditure, and investment (Oyekanmi, 2022). Therefore, the petroleum industry has been crucial to the nation as it contributes significantly to the country's economic fortunes.

Thus, it is this exploration, production, sales, and consumption of petroleum products by the country that led to the removal of fuel subsidies by the Nigerian government. The purpose is to among other things, make the product available to citizens at a realistic rate. Since its introduction, the fuel subsidy regime has been a critical and hotly debated issue in Nigerian politics and governance. Before now, successive Nigerian governments had also proposed to end the subsidy regime, arguing that savings thereof could be better invested in refineries, roads, and major infrastructure projects, which in the long term, would ensure sustainable development and wealth generation. This administration is further contending that the economy would benefit from the gasoline industry's liberalisation and that the elimination of the large subsidy would free up money for other public services such as infrastructure and health initiatives (Ozili & Obiora, 2023). The International Monetary Fund (IMF) and World Bank (WB) describe fuel subsidy removal as part of the liberalisation policies of developing nations, which would attract more foreign capital and help the government channel useful funds into more productive ventures (Agbon, 2012; Asu & Olatunji, 2022).

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Before now, citizens had protested and opposed several attempts by past governments to abolish the petroleum product subsidy due to concerns about the perceived effects on various Nigerian households (*The Economist*, 2012; *The Telegraph*, 2012; Onyeji, 2016).

But on May 29, 2023, President Bola Ahmed Tinubu in his inaugural address, announced that the "petrol subsidy regime was over." According to him, the 2023 budget had provision for the fuel subsidy until June, and as such, "fuel subsidy is gone" and "Nigeria will no longer play the role of Father Christmas" to its neighbouring countries (Majeed, 2023). The pronouncement immediately changed the fuel market, with petrol stations tripling or quadrupling the price of the product, while some stations refused to sell. To restore sanity, the National Petroleum Corporation Limited (NNPCL) rolled out a new price template for the product, which replaced the official N185 per litre, for between N448 and N557, across the states of the federation. Fuel subsidy removal has no doubt, generated local, national, and international reactions. This study, therefore, examines issues thrown up by the subsidy regime and subsidy removal with emphasis on the nation's external relations.

Contextualizing and Demystifying Politics and Subsidy Nexus

Over the years, the concepts of "politics" and "subsidy" have generated a myriad of definitional interpretations and conceptualizations. Although the term 'politics' has been defined variously, the definition that connects to the distribution of wealth of the state is relevant to this study. The most famous definition put forth by the well-known political scientist, Harold Lasswell is used as a frame for discussion. Lasswell (1936), described politics as an empirical science that studies the shaping and sharing of power about "who gets what, when and how?" Dudley (1975, p. 18), added "Why?" In this context, therefore, politics is a means of deciding who gets wealth and power in society without resorting to violence. The resources in question might be petroleum, government jobs and contracts, taxes, and revenue. Politics is not just about state matters but involves decisions about what a society should do, when, how, and why it should do it, as well as who should make

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these decisions (Vande, 2013). It, therefore, concerns whether power, which is the primary goal of politics, is acquired as a means to an end or as an end in and of itself to guarantee binding decisions. Buttressing the above viewpoints, Easton (1953, p. 129), views politics as a "persistent pattern of human interaction in a society mainly oriented towards "the authoritative allocation of scarce values for a society". Therefore, the problem of all societies is the scarcity of some valuable resources, which inevitably leads to disputes over their allocation. The potential for conflict created by scarcity is such that without a provision for some means of deciding among competing claims to limited values, society would be engulfed in constant strife. As a result, every society has some system in place for allocating resources, and because disagreements over allocations are inevitable, politics becomes a feature of communal life that transcends both historical and cultural boundaries (Sorzano, 1977). Easton contends that the allocative process is a 'minimum prerequisite' of any society. Thus, politics is about making decisions concerning the allocation of state resources, as failure to do this would result in a crisis.

Similarly, the term "subsidy" has been defined from both general and economic perspectives. It has been generally described as a government assistance programme given directly to a person or private business that is considered to be in the public interest. It refers to the donation of funds to a non-profit business, or organisation by the government to support its operations. Therefore, a subsidy regime or programme is usually adopted to boost a country's economy, provide social amenities for the people, stabilise the market, and create employment opportunities for the citizens. From an economic perspective, a subsidy is when the government assists consumers in paying less than the going rate for a certain commodity. It is any measure that keeps the prices consumers pay for a good or product below the market levels for consumers or producers above the market rate. It takes different forms and includes grants, tax reductions, exemptions, and price controls (DFID, 2012).

Fuel subsidy is "the financial aid granted by the government to marketers for the supply of petroleum products at cheaper rates for the citizens" (Chukwulobe, 2014, p. 1). This implies that

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customers and consumers would pay less per litre of fuel than the pump price. This policy was one of the ways the Nigerian government met its socio-economic obligations to the citizenry by setting the price of gasoline for customers below the international market rate and using public funds to make up the gap. In the developing economies of Africa, Asia, and Latin America, fuel subsidies were introduced and managed by governments to protect domestic consumers from high and volatile oil prices (Coady, Flamini& Sears, 2015). Accordingly, subsidies are decomposed into explicit and implicit domains. Under implicit subsidies, the retail price excludes external expenses, whereas in explicit subsidies, the retail price is less than the cost of fuel supply (Parry, Black, & Vernon, 2021; IMF, 2022; Delgado-Téllez, Ferdinandusse & Nerlich, 2022). Therefore, government price controls, which hold prices below the full economic cost of supply, remain the most widespread means of providing subsidies for petroleum products.

Theoretical Framework

The theoretical perspective of linkage politics as espoused by James N. Rosenau, provided the framework for analysing the subject matter of this paper. Frankel (1972), clarifies from the outset that the linkage approach evolves from systems analysis and presents a new model for studying the behaviour of states on the global stage. Kaplan (1957), used system analysis to explain how state behaviour is influenced by the dynamics of the international system. He maintained that interactions between the elements of a system define it. As a result, modifications or inputs to one component of the system may impact the entire system. Thus, the theory has generally been concerned with a two-directional process: first, inner-directed linkages, or the effect of the international environment on the domestic arena. Second, outer-directed linkages, with how domestic developments and the actions of the actors impinge on external relations (Pridbam, 1991). This implies that the world system shapes and determines the structures of domestic political systems, while the characteristics of internal political systems produce the essential ingredients for an international system. The theory is based on the assumption that "any recurrent sequence of behaviour that originates in one system is reacted to in another" (Rosenau, 1969, p.5).

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By the above explanation, Rosenau gives a twofold signification to the linkage concept. The first refers to the interaction between the actors' internal and external political environments in shaping foreign or internal policy. This pertains to how the interplay of actors within their domestic political milieu influences those among actors within the global system or how the interplay among the actors within the global system influences the internal political milieu of every individual collaborator. To distinguish between the beginning and end of a linkage, Rosenau defines the former as output and the latter as input. Outputs and inputs are defined according to whether they occur in the national or international political system. Therefore, connexions between outputs and inputs create a reciprocal feedback network between national and international political systems, whereby national outputs are inputs for the international political system and *vice versa.* Three main types of links connect the input and output: action, reaction, and interaction. Therefore, the theory of linkage politics assumes that states trade-off to achieve objectives on different dimensions, and that linkage is more likely to be observed between states that differ concerning their issue position or the various issues (Rosenau, 1967; Keohane & Nye, 1977).

However, classical and structural realists such as Kenneth Waltz (1979; 1986) and Robert Gilpin (1981), have argued that domestic politics and foreign policy are distinct spheres of policymaking. While foreign policy is considered "high politics," the purview of central leadership, domestic policy is the responsibility of the people, interest groups, and the legislature. Hence, sovereign states are visualised as hard and impenetrable, and what goes on inside does not (and should not) affect how states interact. Bar-Siman-Tov (1983) posits that there is little or no relationship between internal and external conflicts. These assertions have been countered by Morgan and Bickers (1992) and Siverson (1995), who unwaveringly argue that issues of domestic politics and foreign policy are currently more interwoven than previously assumed. It also reflects what has been referred to as "a new convergence of domestic and international political processes in industrialised nations, with consequences that are almost certainly irreversible" (Hanrieder, 1978, p. 1280).

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The linkage approach has been criticised for not providing an explicit role for institutions as the interaction between states in the global arena often takes an institutionalised form. This argument is based on the views of neoliberal institutionalism, that institutions play an important role in making cooperation across states more likely (Keohane, 1984). This notwithstanding, the theory is useful because it acknowledges the relevance of national boundaries during interaction or cooperation between and among states. Therefore, the domestic decisions of the state, such as fuel subsidy removal by the Nigerian government, ultimately shape the behaviour and relations among states on the global scene.

Methods and Materials

The study adopts *ex post facto* and qualitative survey methods. The *ex-post facto* approach traces the origin, interrogates and explains the politics of the subsidy regime, several attempts by successive administrations to stop implementing the policy, and reactions by a cross-section of society, both internal and external. The qualitative approach discovers through the literature the underlying motive of the government in removing fuel subsidies. This has helped in the analysis of the various factors that motivate the government to act in a manner that leads to discontent among the citizens and impacts the external environment. The primary data were derived from focus group discussions by foremost economists, policy analysts and oil sector experts. In addition, the study uses academic databases such as JSTOR, Google Scholar, and ProQuest to search for scholarly articles and publications related to the subject under investigation. These were complemented with information sourced from textbooks, periodical reports of the Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS), Petroleum Products Pricing Regulatory Agency (PPPRA), Nigerian National Petroleum Corporation (NNPCL), and Nigerian Statistical Bulletin (NSB). The data were analysed using the qualitative description method. This method involves explaining and describing the data to establish the relationship between the dependent and independent variables. In doing so, the mass of relevant data found in official documents, fact-finding reports, books, and journals was sieved and analysed.

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Historical Overview of Nigeria's Fuel Subsidies

Petroleum production has been the major economic activity in Nigeria since the discovery of oil in 1953, but in commercial quantity in January 1956, and production in 1957 when the first oil field came on stream. Nigeria thus became an oil producer in the same year and the 11th member of OPEC in mid-1971. Interestingly, the exportation of oil products, therefore, coincided with Nigeria's independence in 1960 (Omotayo, 2023). From 1960 to 1973, oil production rose from just over 5 million to over 600 million barrels. The country's revenue from oil accelerated from #66 million in 1970 to over #10 billion in 1980. The cost of petrol rose locally in tandem with the worldwide increase in oil prices. To mitigate the impact of growing expenses for goods and services together with local fuel prices, the then federal military government introduced and implemented the Price Control Act in 1977.

Specifically, Section 4 (1) of the Act states that "price control shall continue to be imposed under this Decree on any goods which are of the kind specified in Schedule 1 to this Decree". Thus, the law prohibited the sale of certain goods, including petrol, for more than the regulated price. Therefore, the General Olusegun Obasanjo-led government fixed the price for domestic consumption at #0.05 per litre (Omotayo, 2023). Consequently, fuel subsidies became institutionalised and the federal government subsidised the domestic use of petroleum products. The institutionalisation of fuel subsidies cushioned the effects of the global "great inflation" era of the 1970s, which was caused by a worldwide increase in energy prices owing to severe product shortages (Bryan, 2023; Kramer, 2023).

In later years, following the introduction of subsidies, petrol prices in Nigeria remained unchanged even as they increased on the global market because the federal government continued to service the difference. The implementation of fuel subsidies persisted until when the Military government of General Ibrahim Badamasi Babangida increased the cost of fuel from 15.3 to 20 kobo per litre in 1992. Subsequent regimes or administrations slightly increased or adjusted the price as indicated in Table 1. However, when President Olusegun Obasanjo assumed office in 1999 after winning

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the general elections, he made subsidies the bedrock of his economic policy. The pump price of the product increased from #20 which he inherited from the regime of General Abdulsalami Abubakar, to #30 and later to #70 in 2003. The citizens protested and joined several demonstrations organised by the Nigeria Labour Congress NLC and its affiliate unions. When President Umaru Musa Yar'Adua came into office in 2007, he reduced the pump price from #70 to #65 (see Table 1) because of protests and demonstrations on the streets in major cities in Nigeria (Omotayo, 2023; Rafiu, 2023).

The administration of President Goodluck Jonathan which lasted between 2010 and 2015, was the first to announce plans to end the fuel subsidy regime, arguing that the continued implementation of the policy was not economically sustainable. In a statement made on January 1, 2012, the government explained that it was deregulating the petroleum sector, which meant that Nigerians would start buying petrol at the international market price. As a result, the price of petrol increased from #65 to #141, which led to an increase in the cost of transport fares that sparked outrage among Nigerians who called on the NLC to declare a strike due to the hardship caused by the removal of the subsidy (Omotayo, 2023). Nigeria was importing more than 90% of its fuel because none of the four refineries in the nation was operating at full capacity. As a result, the government gave marketers and the Nigerian National Petroleum Corporation (NNPC) subsidies for the petroleum they imported into the country.

Before the administration of President Muhammadu Buhari came into power on May 29, 2015, the All Progressives Congress (APC) as the opposition party, led a grand opposition against the removal of petrol subsidies. Two reasons were presented for opposing the removal. The first contention was that there was no subsidy for petrol, and the second was that the President Goodluck Jonathan-led government was corrupt and mismanaged the subsidies (Esiedesa, 2023).

During the 2023 general electioneering, subsidy removal became a major issue in the campaigns. The three major presidential candidates, Bola Ahmed Tinubu of the APC, Peter G. Obi of the

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Labour Party (LP) and Atiku Abubakar of the PDP promised to end fuel subsidy payments and introduce oil sector reforms if elected into power. This, thus, signified a consensus among the political class to abolish the policy. In his inaugural speech as the 16th president of the country, Bola Ahmed Tinubu therefore announced the end of fuel subsidy payments.

Fuel Subsidy Regime in the Fourth Republic, 1999 – 2023.

Over this period, the management and payment of petrol subsidies to marketers has been a contentious issue in Nigeria. This has either led to hikes or downward reviews in the price of petroleum products, culminating in street protests by organised labour and students, among other groups and organisations. Although subsidy payments were not as popular as they have been in recent years, the nation has spent trillions of naira on them. Table 1 shows the subsidy payment and pump price of petroleum between 1999 and 2023.

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Table 1: Yearly payment of fuel subsidies and pump prices of fuel from 1999 to 2023.

Year	Total subsidy (#)	Fuel Price (#)	Regime
1999	-	20.00	Abdusalami Abubakar/Obasanjo
2000	-	Jan - 22.00 June - 26.00	Olusegun Obasanjo
2001	-	26.00	Olusegun Obasanjo
2002	-	30.00	Olusegun Obasanjo
2003	-	40.00	Olusegun Obasanjo
2004	-	50.00	Olusegun Obasanjo
2005	351bn	60.00	Olusegun Obasanjo
2006	257bn	65.00	Olusegun Obasanjo
2007	272bn	May - 75.00 June - 65.00	Olusegun Obasanjo/Yar'Adua
2008	631bn	65.00	Umaru M. Yar'Adua
2009	469bn	65.00	Umaru M. Yar'Adua
2010	667bn	65.00	Umaru Yar'Adua/Goodluck Johnathan
2011	2.1trn	65.00	Goodluck Johnathan
2012	1.36trn	120.00	Goodluck Johnathan
2013	1.32trn	120.00	Goodluck Johnathan
2014	1.2trn	120.00	Goodluck Johnathan
2015	654bn	145.00	Goodluck Johnathan/M. Buhari
2016	240bn	145.00	Muhammadu. Buhari
2017	154bn	145.00	Muhammadu. Buhari
2018	1.1trn	145.00	Muhammadu. Buhari
2019	508bn	145.00	Muhammadu. Buhari
2020	864bn	March - 125.00 May - 123.50 July - 143.80	Muhammadu. Buhari
2021	1.43trn	166.24 March - 212.00	Muhammadu. Buhari
2022	4.4trn	Jan - 166.40 Feb - 170.42	Muhammadu. Buhari
2023	3.6trn (Jan - June)	Jan - 185.00 March - 195.00	Muhammadu. Buhari
2023	-	June - 540.00	Bola Ahmed Tinubu
2023	-	July - 615.00	Bola Ahmed Tinubu
2023	-	October – 630	Bola Ahmed Tinubu
2023	-	December – 678	Bola Ahmed Tinubu

Source: Compiled by the author from field data.
*bn (billion) *trn (trillion).
*Note: The fuel subsidy budget covers the exiting year of each government except President Buhari's administration, which ended in June 2023.

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From Table 1, Nigeria's spending on the subsidy regime stood at approximately #21.7 trillion between 2005 and the first half of 2023. While #13.7 trillion was spent on the payment between 2005 and 2021, 2022 and the first half of 2023 gulped #8 trillion by June. Of note, although there is no information on fuel subsidy payments in the first four to five years of President Olusegun Obasanjo's tenure, it is estimated that a total of #880 billion was spent on fuel subsidy payments during this period. The breakdown indicates that while #351 billion was paid in 2005, #257 billion and #272 billion were paid in 2006 and 2007, leaving the pump price between #60.00 and #75.00 for the years. Moreover, between 2008 and 2010, the administration of Umaru Musa Yar'Adua paid a total of #1.8 trillion as fuel subsidy to marketers. The breakdown in Table 1 indicates that the sums of #631 billion, #469 billion, and #667 billion were paid for 2008, 2009, and 2010 in that order. During this period, the pump price of fuel was #65.00 per litre.

Furthermore, the fuel subsidy regime under the administration of Goodluck Jonathan gulped #6.6 trillion between 2011 and 2015 and paid #3.9 trillion to oil marketers as a subsidy. A sum of #667.08 billion was paid in 2010. In 2011, the federal government paid a total of #2.105.92 trillion, an increase of #1, 437.84 trillion from the 2010 payment. In 2012, N1.36 trillion was paid as subsidy to marketers, while #1.32 trillion, #1. 2 trillion and #654 billion were paid as subsidy claims in 2013, 2014, and 2015. The subsidy payment during the administration of President Buhari stood at #11.4 trillion. Out of this, a sum of #3.6 trillion was allocated in the 2023 budget for the 6 months ending in June. Of note, the administration of President Buhari paid the highest subsidy amount in Nigeria's history, which is roughly #560 billion every month. Worthy of note is that before the introduction of the subsidy, the cost of petrol was entirely decided by market forces to reflect the price of oil, the expense of refining and transportation and marketing expenditures.

Fuel subsidies were intended to lower the cost of goods for Nigerians; however, owing to corruption, the scheme has resulted in the payment of more money than Nigerians have been

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consuming. Fiscal transparency and corruption have always been obstacles to subsidy payments. A report from a parliamentary investigation revealed that NNPCL personnel were involved in a $6 billion fraud. In 2015, former President Buhari described the subsidy as “fraudulent” and “non-existent”, though his administration paid the highest amount as subsidy to the marketers (Adetayo, 2023). Sanusi (cited in Omotayo, 2023), argues that the fuel subsidy was beneficial to few people at the expense of ordinary Nigerians who were being denied government intervention in key areas such as education and health. According to him, a lot of the petroleum subsidy paid for never came into the country and several people were making billions and billions of dollars out of fuel subsidy. Besides endemic corruption, the unsustainable financial cost of subsidy, economic distortion, smuggling, and climate change commitment have been identified as challenges to the policy.

Results and Discussion

Although petroleum subsidy removal is solely Nigeria’s domestic affairs, it has significant implications for the country’s external relations with developed economies that have vested interests in the Nigerian economy, trade, and energy sector. It also has far-reaching impacts on Nigeria’s immediate neighbours. The major countries sampled include China, the United States of America, Britain, France, and India, while the nation’s immediate neighbours examined are Benin Republic, Cameroun, Chad, and Niger, among others.

Generally, Nigeria’s external relations began immediately after the nation's independence on October 1, 1960, and the subsequent appointment of Dr. Jaja Wachukwu as the acting Permanent Representative for Nigeria at the United Nations a month later. The initial areas of relations with some of the world's major powers include political-diplomatic, economic, aid, and technical cooperation (Ate, 1986; Owoeye, 1986). In recent years, Nigeria has been one of China’s largest trading partners, and the latter’s rapid economic growth has led to an ever-increasing demand for energy resources. As a result, China has had a significant economic presence in Nigeria, particularly in the energy sector, through loans, infrastructural development, and oil purchase agreements. Aside from the involvement of Chinese companies in various oil and gas projects in

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Nigeria, the nation has also been a reliable supplier of oil to China, helping her meet its energy needs (Umukoro, 2023). Consequently, the recent removal of fuel subsidies in Nigeria could lead to fluctuations in oil prices or supply disruptions, thereby affecting China's energy security. This could create tensions in their bilateral relationship as China seeks stability in its energy supply.

Nigeria – Sino trade relations date back to 1971, when the two countries signed the Joint Communiqué on the Establishment of Diplomatic Relations. Since then, the relations have grown over the last four and a half decades, making China one of Nigeria’s importation targets in goods for domestic consumption. Recently, China’s trade in products increased from approximately $1.2 billion in 2019 to $13.7 billion in the first quarter of 2023. Within the same period, Chinese investment in Nigeria increased from $42.4 million to $123.27 million, making the nation one of the top Chinese investment destinations in Africa (Oshodi, 2023). Therefore, the removal of fuel subsidy in Nigeria may lead to inflation and higher production costs. This could impact the purchasing power of Nigerian consumers and businesses, potentially reducing their capacity to import Chinese goods. A trade imbalance could emerge or worsen, affecting China’s exports to Nigeria and potentially leading to trade disputes.

However, with the subsidy removal, Nigeria might be able to attract more foreign investment, including from China, into its downstream oil and gas sector. This could lead to expanded economic cooperation. Moreover, the removal could lead to increased revenues for the Nigerian government, which in turn could improve the stability and growth of the energy sector. This could enhance China’s interest in Nigeria’s’ oil industry. Nigeria has borrowed significant amounts from China for various infrastructure projects, and the nation’s indebtedness to China as of December 2020 stood at 9.7% or #1.2 trillion ($3.3 billion). The debt of China constituted 80.1% of the bilateral debt, or $4.1 billion (Dickson, 2021b). Furthermore, between 2021 and the first quarter of 2023, Nigeria borrowed $ 4.34 billion from China through the Exim Bank, representing 84% of the country’s total bilateral debt (Ezechi, 2023). This policy may influence Nigeria’s ability to meet its debt obligations to China, which could strengthen their bilateral relations.

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Aside from the traditional areas of trade, aid, and technical assistance, Nigeria and the US have been strategic partners with a significant stake in the energy sector, security, and economic stability. In recent years, the United States has engaged in strategic interventions by actively investing in Nigeria's energy sector through its Power Africa initiative, estimated at $2.7 billion (Ikyaa, 2017). This investment has primarily focused on supporting Nigeria's efforts to expand its energy infrastructure, improve energy access, and promote sustainable energy sources. Therefore, the effect of fuel subsidy removal on Nigeria – U.S. relations can be complex and multifaceted, and it depends on various factors, including how the subsidy removal is implemented and the broader diplomatic context. For instance, the stoppage of subsidy payments can lead to increased fuel prices, which in turn can trigger inflation and economic instability. This could negatively impact Nigeria's economic prospects and stability. The U.S. may be concerned about its economic instability as it could affect trade relations and investments.

In a related development, non-payment of fuel subsidies could be seen as a positive development if it leads to more transparent and market-oriented energy pricing in Nigeria. This can, among other things, create a more conducive environment for foreign investments in Nigeria's energy sector, particularly by American energy companies, create opportunities for economic cooperation between both countries in areas such as renewable energy, infrastructural development, and economic diversification. However, if subsidy removal results in significant economic hardship for the Nigerian population, it may lead to social unrest and instability. This could be of concern to the U.S., as instability in Nigeria can have regional spill-over effects and potentially disrupt American interests in the region. As an important oil-producing nation and a major supplier of oil to the United States, any disruption in Nigeria's oil production or exports due to domestic instability could have a direct impact on its energy security. Of note, before the subsidy question, U.S. oil companies identified several factors that discourage foreign investment in Nigeria's oil sector. This includes inadequate incentives to enter into proposed production-sharing contracts with NNPCL for new acreage, a Nigerian-imposed limitation on the use and hire of foreign

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workers, and several bureaucratic delays in getting supplies into and out of Nigeria (US General Accounting Office, 1992).

Similarly, the relationship between Nigeria and its former colonial master, Britain, has reached maturity covering critical s areas of mutual interests, particularly trading, economic, and strategic concerns. For instance, the two countries have a long history of trade relations, and Nigeria is one of the UK's largest trading partners in Africa after South Africa, with €6 billion (#2.4 trillion) in bilateral trade in 2016and€10billion (#4.3 trillion) in 2019 (Efebeh & Okereka, 2020). The total value of goods and services traded (exports plus imports) between Nigeria and the United Kingdom in 2022 was £5.5 billion. In the fourth quarter of that year, the entire value of UK exports to Nigeria was £3.3 billion, while the total value of UK imports from Nigeria was £2.2 billion. (Agency Report, 2022). Therefore, the exchange of goods defines the trade relationship; Nigeria exports petroleum products and oil, while the UK exports machinery, chemicals, and automobiles.

Nigeria is a major producer of oil and gas, and British multinational oil corporations such as Shell BP and Sterling Oil Exploration & Energy Production Co Ltd have played a significant role in the sector's development. These companies are involved in exploration, production, and services related to the petroleum industry through collaboration. The UK has a significant presence of companies such as Unilever, PZ Cussons, Diageo/Guinness, and other corporations that have been operating in Nigeria for many years. The majority interest in Zenith Life was recently acquired by Prudential plc, marking the first UK market foray into Nigeria (Arkwright, 2017). Subsidy crises may impact the profitability of these investments and influence future cooperation. The stance of these corporations and their reactions to subsidy removal can influence Nigeria-Anglo relations and the overall business climate in Nigeria. Worldwide, subsidy removal often leads to an upward review of the price of petroleum products, including gasoline. This can result in higher inflation rates and increased living costs for the Nigerian population. If the removal of subsidies causes economic instability in Nigeria, it may affect trade relations between these countries.

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Furthermore, the British have provided foreign aid and assistance to Nigeria in various forms, including support for economic development and poverty reduction programmes. For example, more than £38 million in humanitarian aid from the UK has been received and distributed to save the lives of women and girls as well as other vulnerable conflict-affected individuals in northeast Nigeria (Cleverly, 2023). Recently, the British government granted £200m ($258m) aid budget to Nigeria to stimulate and attract more direct private sector investments into the country, among other assistance (Bisiriyu & Onuba, 2017). Fuel subsidy removal could impact the need for such aid or influence how aid is allocated. The UK government may adjust its aid policies in response to Nigeria's changing economic situation.

In addition, the relationship between Nigeria and France has historically been characterised by diplomatic cooperation, trade agreements, and cultural exchanges. However, recent developments in Nigeria have cast a shadow over this relationship. For instance, subsidy removal has led to an immediate increase in fuel prices, causing inflation to soar and putting extra pressure on the average Nigerian purchasing power. France, being a significant trading partner with Nigeria, has witnessed a decline in the demand for its products and services due to reduced consumer spending. This decline in trade, which as of 2019 amounted to €4.479 billion, adversely affects economic ties between the two countries. As the economic conditions in Nigeria worsen due to subsidy removal, there is an increased likelihood of Nigerians seeking opportunities abroad, including in France. This migration could strain France's resources and border controls, potentially leading to security concerns. France may also have to deal with the social integration and welfare of Nigerian migrants, which could strain bilateral relations.

On the positive side, this policy can have several potential effects on the bilateral relationship with France. For instance, it can help Nigeria improve its economic stability and reduce budgetary pressures. This, in turn, can make Nigeria a more attractive destination for French investment and trade. France may see increased opportunities to engage in economic cooperation, such as joint ventures, infrastructural development, and technology transfer. Moreover, Nigeria is one of

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France's important trading partners in Africa, and a more stable Nigerian economy can contribute to a more balanced trade relationship. With a stronger and more diverse Nigerian economy, France can expand its exports to Nigeria, especially in sectors such as agriculture, manufacturing, and technology. Furthermore, France, as a developed nation with expertise in the energy sector, can assist Nigeria in its efforts to reform its energy industry. This could involve French companies investing in Nigeria's energy sector, supporting renewable energy projects, or providing technical expertise to enhance energy efficiency.

Nigeria and India have a vibrant and expanding economic partnership that is marked by investments, commerce, and diplomatic contacts. For instance, India is a significant trading partner for Nigeria, and its economic ties have been strengthened through various bilateral agreements. The trade relationship primarily involves the exchange of commodities such as oil, natural gas, agricultural products, and pharmaceuticals. Being one of the largest oil producers in Africa, Nigeria exports crude oil to India, thereby meeting the nation's energy needs. In return, India exports pharmaceuticals, machinery, automobiles, and information technology services to Nigeria. The trade balance has generally favoured Nigeria, given its oil exports. Indian companies have shown a growing interest in investing in Nigeria, particularly in sectors such as telecommunications, agriculture, and energy. These investments have not only contributed to the development of Nigeria's economy but have also created employment opportunities.

Therefore, the relationship between Nigeria and India may suffer significantly following the recent removal of the gasoline subsidy. India is a major importer of Nigerian oil, and any upward review in fuel prices could lead to higher global oil prices. This, in turn, could adversely affect India's economy as it relies heavily on oil imports to meet its energy demands. India is concerned about rising energy costs, which could contribute to inflation and negatively impact economic growth. This policy could also lead to a devaluation of the Naira. A weaker naira could make Nigerian exports cheaper for India, potentially increasing the trade imbalance as India's imports become more expensive for Nigeria. In addition, the removal of subsidies could create uncertainty in

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Nigeria's business environment. Foreign investors, including Indian companies, may be wary of investing in Nigeria because of concerns about the country's economic stability. India has made substantial investments in Nigeria's various sectors, and any instability could jeopardise these investments.

Fuel subsidy removal has impacted Nigeria's influence and relations with neighbouring countries. These are countries that are contiguous with Nigeria, namely, Cameroun to the East; Chad to the Northeast; Niger to the North; Benin to the West; and Equatorial Guinea, just off the coast in the Southeast (Ogbu & Olakunle, 2019). Nigeria maintains good neighbourly relations as an article of faith with these countries based on Big Brothers' obligations (Tijani, 2010). For years, petroleum resources have been a major revenue driver for many countries in Africa, and the West African sub-region has been adjudged to be the third largest exporter of crude oil in the world, after the Arabian Gulf and Russia, with Nigeria and Angola as the leading producers and the biggest exporters in the region (Hellenic Shipping News, 2023). From the petroleum price index, Nigeria has the lowest gasoline price compared with its neighbouring countries. This is because the country finances fuel consumption in those countries through the smuggling of subsidised products.

Because of the nation's porous borders, smugglers have been able to operate a business whereby they buy large quantities of gasoline in Nigeria at a discounted price and resell it to neighbouring countries at market rates. For instance, in June 2022, the Managing Director of NNPC Limited indicated that the daily consumption of premium motor spirits had increased to over 103 million litres per day and that at least 58 million litres were being smuggled. Similarly, quoting a report published by Chapel Hill Denham, Izuora (2022) reveals that 15.64 million litres of petrol are smuggled out of Nigeria daily as the retail price of Nigerian petroleum products on average is 3.7 times cheaper than those of its neighbours, and this has given smugglers undue opportunities for arbitrage. In addition, the Nigeria Customs Service has been quoted to have affirmed that petrol was being smuggled out of the country in large quantities after it was subsidised by the Federal Government (Nnodim, 2023).

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It has also been argued that fuel smuggling activities increased during periods of greater disparity between Nigeria's fuel price ceiling and market prices for petroleum in neighbouring countries (Beedell, 2017). Hence, roughly 75% of the gasoline consumed in Benin, Chad, Equatorial Guinea, Niger, Cameroun, and even Togo is smuggled from Nigeria. For instance, during the periods of high international oil prices in 2012, the Nigerian government subsidised #1.36 trillion, the highest during the administration of Goodluck Jonathan, for fuel not only consumed in the country but also to some extent by countries in the surrounding region. Petroleum marketers (major petrol dealers with tank farms) usually divert larger quantities of subsidised petrol to neighbouring countries for resale at the international market price. Therefore, they make the same amount of money as the Nigerian government has paid for the subsidised petrol in the neighbouring countries. This makes the product relatively scarce in Nigeria as the leftovers become lower than the daily consumption in the country. The implication is that petrol stations will be selling fairly higher than the fixed price of N185; some sell, N190, N205, N225, N250, and so on depending on the area.

Because of fuel subsidy removal, pump prices in Benin almost doubled from 450 CFA to 800 CFA (Onuba, 2023). While the pump price was NGN 189 per litre in Nigeria, the prices were N333, N365, N381, and N399 equivalent in Chad, Niger, Benin, and Cameroon. Bukar (cited in *Daily Trust*, June 17, 2023) observes that subsidy removal in Nigeria has also affected social and economic life in neighbouring countries, as the prices of petroleum products have nearly doubled, thus significantly reducing, black market activities in these countries. This development lends credence to reports that a significant volume of Nigeria's subsidised petroleum products were being smuggled into neighbouring countries. In Cameroon, particularly those living along the border with Nigeria have lamented the effect of subsidy removal. The pump price of petrol stands at CFA730, which is N900 to N1000 equivalent, while the smuggled petrol, which was previously sold at N300, has risen to N850 equivalent following subsidy removal. Overall, the smuggling of fuels to neighbouring countries will no longer be profitable as fuel prices across the region will closely align. Nigeria will no longer subsidise fuel consumption across neighbouring countries and

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provide a source of revenue for their governments through taxes imposed on fuels smuggled from Nigeria.

Conclusion and Policy Prescriptions

Nigeria, one of the biggest economies and oil producers in Africa, offers a large market for future corporate ventures with the rest of the world. However, the recent fuel subsidy removal has been a complex and contentious issue with both positive and negative effects on the nation's domestic economy and foreign relations. While subsidy removal can free up government funds for critical development projects, it also places a burden on the average citizen through increased living costs, as the current domestic gasoline pump price ranges between #630 and #680. Petroleum subsidies constitute a major drain on Nigeria's economy through corrupt practices and false claims, costing the government billions of dollars annually. By removing the subsidy, Nigeria can redirect its funds towards more productive investments in infrastructure, education, healthcare, and other areas. This could result in a more stable and robust Nigerian economy. Moreover, the effect of fuel subsidy removal on Nigeria's foreign relations varies depending on several variables, including how the policy is implemented, the government's capacity to manage the political, economic, and social repercussions, and the responses of both local and international parties.

Without a doubt, Nigeria's subsidy removal has influenced international investors' perceptions of the country's economic stability and may lead to potential shifts in global energy policies of developed economies such as China, the U.S., Britain, France and India. Also, the removal of fuel subsidies in Nigeria has led to a rise in the cost of living in its neighbouring countries, and this may strain the relationship between Nigeria and these countries in particular and the West African region in general. Therefore, close attention to regional cooperation and potential mitigation measures will be crucial for maintaining stability and minimising negative consequences. Overall, Nigeria must successfully manage the difficulties arising from subsidy removal to preserve and improve its international connections and create opportunities for increased trade and investment with other countries. Finally, the subsidy imbroglio underscores the need for Nigeria to diversify its economy from heavy reliance on oil to reduce its vulnerability to oil price fluctuations.

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