

# Labour, civil society and the state:

## Protests against fuel subsidy removal in Nigeria

Petrol price increases do not just happen in Nigeria, as the working class, civil society and citizens will not allow government to remove a fuel subsidy. When government tried to remove the subsidy they were met with protests and rage and had to back off, write **Yusha'u Muttaqa** and **Tahir Hashim**.

Since the return of Nigeria to civilian administration in 1999, the government is hell-bent in removing the subsidy in the petroleum industry. This has resulted in continuous price hikes of petroleum products. The Labour and Civil Society Coalition (LASCO), an alliance formed by the Nigeria Labour Congress (NLC) and Trade Union Congress (TUC) with pro-labour civil society under the banner of the Joint Action Front (JAF), are challenging the neo-liberal posture of the Nigeria state with robust campaigns and mass actions accompanied by nationwide strikes.

The idea of LASCO arose in the context of rebuilding the labour movement and the popular opposition to the continuous hikes, arising from the policy of deregulation of the so-called downstream sector of the petroleum industry. This alliance became inevitable due to the absence of a vibrant opposition in the era of state retreat from vital sectors of the economy. The political parties that were supposed to provide meaningful

opposition became part of the ruling people's Democratic Party (PDP), through unholy alliances.

Historically, the struggle of trade unions in Nigeria was done in alliances with civil society organisations and other professional bodies in the country that challenged state domination and the repression of popular forces. For instance, the struggle against the imposition of the structural adjustment programme (SAP) in the 1980s and the quest for democratic governance in the 1990s was unprecedented.

Several policy documents and position papers were issued by the popular forces in the wake of the crisis. Such position papers included *Nigeria not for sale* issued in the 1980s, *Workers charter of demand* and *Towards economic recovery*. These position papers were issued as alternatives to Nigeria's neo-liberal policy paradigm that sought to sell the country to market forces, under the support of the International Monetary Fund (IMF) and the World Bank.

In the era of globalisation,

the democratisation process is endangered as decision-making excludes citizens. As analysed by Altavater: 'Politically globalisation and concomitant deregulation also means that privatised decision-making is also de-politicised; it no longer needs citizen legitimating, not only political decision but economic decision.'

In recent times, the subsidy on petroleum products has been the most controversial issue in the country. While some people especially those in government and their friends are so passionate about the removal of the subsidy, Nigerian masses including trade unions and civil society groups are against the withdrawal.

Those supporting the withdrawal see it as the magic wand that the government needs to provide social services to Nigerians and for booting the economy. But, to those opposed to its withdrawal, the subsidy does not exist in the first place. To this group, what exists is government's inefficient management of petroleum

products administration, supply and distribution which has created a cabal. This group has hijacked the purchase, supply and distribution of the products.

Although government subsidises petroleum products it inflates the amount it is spending argues the second group. This group also believes that this is not the best time for the withdrawal of the subsidy as four refineries are not producing to their maximum capacity and that Nigeria should rely on its own fuel for local consumption instead of importing from other countries.

A subsidy is not a new development. Thomas Wolsey, an advisor to King Henry VIII, in collaboration with the Treasurer of Chamber John Heron devised a new tax system of getting people to pay according to their financial strength. The money so realised was used in running the administration by the king. In other words, a subsidy is a financial measure put in place especially by governments or individuals or organisations to remove some type of burden and it is considered to be in the public interest.

### **SUBSIDY FOR THE PEOPLE**

In 1973, the military government of General Yakubu Gowon set up the Petroleum Equalisation Fund (PEF), the objective of which was to bring stability and uniformity in the prices of petroleum products that were consumed in the country. The fund was to bridge the gap in prices since the products were not taken to a single destination. This fund, which was the then subsidy, was meant to ensure that Nigerians buy the petroleum products at the same prices irrespective of where they bought the products.

The money that was added by government to those involved in the transportation and distribution of the petroleum products

became so attractive that, all those involved in the business became so powerful as to form a cabal that is now holding Nigeria ransom. Over the years, this became a form of business where quick money could be made. This cabal made sure that every attempt by successive governments to rehabilitate the railway for the purpose of transporting the petroleum products across the country was frustrated so that they would continue to enjoy profits.

All this happened during the era of the oil boom when the country made huge amounts of money from petroleum. This was when the subsidy was introduced. What the Gowon regime did was to offer some form of intervention to protect the Nigerian masses from the negative impact of the free-market system as the cost of transportation is included in pricing.

The inability of the government and its agencies responsible for the management of petroleum revenue has created many fortresses of corruption within the oil industry. This creates the impression that a subsidy is retrogressive and therefore moves the wheel of social and economic development backward. Subsidy is not a new development and not restricted to Nigeria as developed countries in Europe and America subsidise their agricultural sector and also give relief to the poor.

The global financial crises forced the United States and other developed countries to provide financial support to their capital market in order to save their economies from collapsing. This is evidence that subsidies are not bad after all. So, it is never a bad thing for the market and government to co-exist for the benefit of citizens. The problem is not the subsidy, but the inability of the government to effectively manage it for the benefit of Nigerians.

Government's inefficiency created economic problems and bred corruption in the oil industry. Not knowing what to do, the government, decided to pass the buck to the poor.

The idea behind having a small government came with the global recession of the 1980s and led to the introduction of economic policies in Europe and America where it was advocated for minimal government intervention in the management of the economy. It was believed that government intervention in economic issues breeds corruption and inefficiencies as well as distorting the market system's rewarding of resourcefulness and enterprise.

This school of thought, which advocates for a total free-market economy, never anticipated that a global financial crisis similar to the one that gripped the US and Europe would happen. Therefore, they did not take into account the recent government interventions that we saw in the developed world.

In 1987, the military government of General Babangida, brainwashed with the idea that little government intervention created efficiency, competition in economic activities, higher productivity and economic growth, embraced the SAP. This, however, created economic woes and hardship for ordinary people.

The genesis of the recent hype on petroleum subsidy removal which generated so much anger and social discontent began in 1987 when government introduced taxes in the name of either subsidy removal or deregulation of the downstream sector of petroleum products. These were taxes that took away means of livelihood from the poor masses in order to sustain the luxury and comfort of the downstream sector.



### HISTORY OF PRICE HIKES

The history of fuel price increases or subsidy removal or deregulation of the downstream sector is a very long one. Between January 1966 and 30 September, 1978, the price of a litre of petrol had remained at eight kobo. The increase in prices of the products began in 1973 when the Gowon-led military government increased the price of petrol from 8 kobo to 8.40 kobo per litre.

Given the small increase then, the resistance was not much. However, on 1 October, 1978, the military government of General Olusegun Obasanjo increased the price from 8.40 kobo to 15.37 kobo. In January 1982, the civilian government of Shehu Shagari raised the price again to 20 kobo.

The most memorable period for price increases was on 31 March 1986 when the military

government of General Ibrahim Babangida increased the price of petrol to 39.50, 42 kobo per litre on 10 April 1988 and 60 kobo for private cars on 1 January 1989. On 6 March 1991, the price of petrol was again increased from 60 to 70 kobo per litre.

The military junta of General Sani Abacha raised the price of petrol to N5.00 on 8 November 1993 but was reduced to N3.25 on 22 November 1993. The price of petrol went up on 2 October 1994; the junta increased the price again to N15.00 per litre but reduced it to N11.0 on 20 December 1998. The price was increased to N25 reduced to N20.00 on 6 January 1999. The increase in the price of especially the petrol had always drawn rage, protests and strike action on each occasion. (*A Naira is 100 kobo and exchanges at 0,0062 to the US dollar and 0,048 to the South African rand*)

When Obasanjo became president for the second time, he continued with the increases. On 1 June 2000 the price of petrol went up to N30 per litre later to be reduced to N27. In 2003 it went up to N40 and to N70 per litre on the eve of Obasanjo's disengagement from government in May 2007.

Obasanjo's successor, Shehu Musa Yar'adua reduced the price of petrol to N65 per litre. The price however has been stable ever since until January 2012, when President Goodluck Jonathan prodded by the West totally withdrew the so-called subsidy.

The current federal government's policy of fuel subsidy removal is aimed at implementing the European Development Fund [EDF], IMF and World Bank agenda. The government's argument for petrol

subsidy withdrawal is hinged on the belief that it distorts the market and that government subsidises heavily to sustain prices at N65 per litre. If subsidies are good for developed countries competitive markets, are they also not good for developing markets like Nigeria's, which are not competitive? There is no generally convincing economic argument for subsidy removal in a developing economy.

Lipse and Lancaster said 'in an economy characterised by market imperfections, there is no guarantee that the removal of any one such imperfection will improve social welfare.' So, Nigeria's economy, which has imperfections such as corruption, inefficiency and lack of social amenities, should be addressed before talking of competition. Then only after that can economic adjustment like subsidy removal of a very important God-given product like petroleum be contemplated.

The Nigerian working class and the masses feel short-changed in a democracy that has promised all sorts of dividends. Therefore, they are angered and resort to rage as seen in protests and strike actions each time there are petrol price increases in the name of subsidy removal. The working class and the masses know that, the only dividend of democracy is the fuel subsidy, that is if it exists and if taken away, they don't have anything to hold on to in a country where the politicians and administrators pay themselves huge salaries and allowances.

Nigeria's economy is about 90% dependent on oil exports and therefore is very sensitive to any internal and external changes in the oil industry. If there is a rise in the cost of fuel especially at domestic level, it has uncontrolled effects on the economy which results in price increases of food,

housing, health, and education.

The informal sector of the economy, mainly made up of small-scale entrepreneurs, are hard hit as they lose their businesses due to higher overhead costs. The loss of these family businesses exposes many to poverty. So, the removal of subsidy on petroleum products is a direct attack on the first Millennium Development Goal on reducing the poverty level of the people by half by 2015.

The federal government claimed it subsidised petroleum products to the tune of N1.34-trillion in 2011 and that the economy cannot sustain that, hence the new year gift of total subsidy removal, which pushed up the price of petrol to N141 per litre. However, this government action drew the anger and rage of the working classes, civil society groups and the masses that embarked on street protests and strike actions between 9 and 16 January 2012. The strike was called off by the NLC and the TUC after a series of negotiations with the government, which led to President Goodluck Jonathan unilaterally fix the price of petrol at N97 per litre.

### **SURE PROGRAMME**

Reacting to the protests and strike actions across the country, the federal government set up what it called 'Subsidy Reinvestment and Empowerment (SURE) programme, which is targeting the utilisation of the federal government share of the subsidy re-investible fund of N478.49-billion out of a total of N1.134-trillion.

The SURE programme, according to the federal government, aims to use its share of the fund to provide social safety net programmes, maternal and child-health services, road construction and rehabilitation,

youth employment, urban mass transit schemes and railway construction. Given the number of projects listed by the government, it is clear that the government is again up for another game of deceit. This is because even if the government is handed all the money accruing to SURE, it is not possible for it to carry out all the outlined programmes.

The recent anger and rage occasioned by the inhuman hike in price of petrol in the name subsidy removal of which paralysed the Nigerian economy for one week, was a clear demonstration of the people's power. The political elites and class should learn from the recent protests and strike actions and not take the people for a ride as if Nigeria is an 'animal farm' where all animals are equal, but some are more equal than others.

The Nigerian people are aware that everybody cannot be governor, senator, legislator or political office holder. What the people want is good governance and the only one that they enjoy is the so-called subsidy because they don't share in any sitting, travelling, constituency and other allowances.

The recent rage is also a caution to the political elites that they cannot continue to manipulate the differences of the Nigerian people to settle their scores and to their advantage. ■

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