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By Electronic Filing

Edward Gresser
Chair, Trade Policy Staff Committee
Office of United States Trade Representative
600 17th Street, NW,
Washington, DC 20508

Docket No: USTR-2017–0005

Re: Annual Review of Country Eligibility for Benefits Under AGOA in Calendar Year 2018 – Comments of Manganese Metal Company

Dear Mr. Gresser:

Manganese Metal Company (Pty) Ltd, hereafter "MMC", herein responds to the invitation for comments concerning the eligibility of the Republic of South Africa to receive benefits under the African Growth and Opportunity Act (AGOA) for 2018. In particular, as the sole producer of electrolytic manganese metal ("EMM") in South Africa, MMC supplies a critical metal to end-users in the United States. EMM is not produced in the United States. Production is almost exclusively limited to China and Africa. However, without preferential treatment under AGOA, MMC's exports of EMM could not compete with the low prices offered by Chinese producers. Without AGOA treatment, the economics of our business would suffer a serious blow and could be destroyed altogether. Our employees, and the indirect jobs that we support in South Africa, would be lost. At the same time, eliminating AGOA preferences for EMM would leave U.S. manufacturers and exporters with a single source for a key metal: China. End-users in the United States would lose a valuable supplier.

For these reasons, AGOA provides substantial, mutual benefits to the United States and South Africa. AGOA benefits should be continued in 2018 in the interests of Africa and the United States.

AGOA benefits were extended to South Africa and other African nations in part to "enhance trade, investment, job creation, and democratic institutions throughout Africa."[1] Among other challenges, South Africa faces substantial unemployment (estimated at 27 percent of the work force), low or no GDP growth, a shortage of skilled labor, unreliable supply of electricity, significant inflation, budget deficits, and difficulty delivering basic services to low-income areas.[2] In fact, in the first quarter of 2017, South Africa's GDP grew at an annual average rate of -0.7 percent and for the full year, growth is projected to be close to zero. There is also a lack of energy and transportation infrastructure that affects South Africa's production capacity and its ability even to access the full potential of U.S. markets under AGOA. Nevertheless, in 2015, South Africa was a "top-five" exporter to the United States and a "top-five" importer from the United States. South Africa is both an important trading partner of the

[1] Trade Preferences Extension Act of 2015, 114 P.L. 217, 129 Stat. 362, § 102 (June 29, 2015).

[2] *See generally,* USTR, "2016 Biennial Report on the Implementation of the African Growth and Opportunity Act," at 53, available online at https://ustr.gov/sites/default/files/2016-AGOA-Implementation-Report.pdf, last accessed August 29, 2017; AGOA.info, "country Info: South Africa," available online at http://agoa.info/profiles/south-africa.html, last accessed August 29, 2017.

United States and a significant economy within sub-Saharan Africa. For these reasons, South Africa continues to meet the criteria set forth in Section 104 of AGOA and section 502 of the 1974 Act.

As noted above, the Republic of South Africa is one of a few places in the world that produces EMM. EMM is primarily used as an alloying element (or input material) for the production of various types of steel, aluminum and other metal alloys. There is no source of EMM in the United States. Consequently, one of our largest export markets for EMM is the U.S. market. South Africa vies with China as the largest source of EMM to the U.S. market. The duty-free tariff preference that we enjoy on exports of EMM not only allows us to compete with Chinese-origin EMM, but it affords raw materials to a wide range of U.S. end-users.

The facts are as follows:

1. All EMM requirements by U.S. industries are met via imports, mainly from production located in only two countries – China and South Africa (most recently new production capacity has been installed in Gabon but regular supply from this country has not yet commenced). Chinese production dominates the world market with MMC supplying only 2.3% of the total world market.

2. Driven by Chinese exports, the market price for EMM has been declining since September 2011 and price levels have fallen sharply since the start of 2015. MMC had to permanently lay off 126 employees in April 2015 and continues to take various cost-saving measures to secure the sustainability of the business in an extremely competitive market.

3. In the U.S. market, as a direct result of AGOA, MMC will supply 30% of apparent U.S. consumption of EMM through 2018 (forecast). One-third of MMC's customer base is located in the United States. Given duty-free access to the U.S. market, MMC is able to compete with EMM supplied by China. Without preferential duty-free treatment under AGOA, MMC will not be able to compete with Chinese supply. It will very likely mean that MMC will be driven out of the market and even cease production altogether.

4. The largest application for EMM is in steelmaking. China's substantial and growing steel exports therefore reduce demand for EMM. And, the same factors that plague the Chinese steel industry (overcapacity, government subsidies and disregard for environmental protection) are also at play in the Chinese EMM industry. As South Africa's only producer of EMM, MMC is therefore facing similar headwinds as the U.S. steel industry.

5. The majority of the EMM buyers in the United States import and/or consume material from both MMC and Chinese producers. Strategically it is very important to have a second source of supply in order to reduce country risk and to increase competitiveness between suppliers. Due to the duty-free benefits of AGOA, South African material can be competitively priced in a market dominated by Chinese-produced material. Herein lies the most important benefit to U.S. consumers of EMM in terms of the provisions of AGOA – having security of supply of a critical raw material from a producer that is not China-based. Therefore South Africa, and EMM from South Africa, must remain eligible for AGOA benefits.

6. The local community in which MMC operates in the town of Nelspruit, in the province of Mpumalanga, has already suffered a significant setback following the employee layoffs in April 2015. Without preferential market access to the United States via the benefits of AGOA, more members of this local community will face the challenges of financial hardship and decreased opportunity for development. MMC is a valued corporate citizen with various employee development programs and above national average wage rates. But these factors cannot compete in a global market where Chinese supply is subsidized by provincial governments, where environmental protection only happens occasionally and where unfair labor practices continue to this day. MMC currently employs 485 persons in Nelspruit – 385 permanent employees plus 100 regular contractors. With the high unemployment rate and the child-headed families as a result of

HIV and AIDS deaths, more South Africans end up taking care of their extended families, adult children and/or adopted dependents. Based on our activities in the local community, we estimate that 2,400 dependents are being cared for via MMC.

In short, AGOA eligibility for South Africa has worked both to bring high-quality jobs and investment to our country and to benefit U.S. manufacturers that need a critical raw material not produced in the United States. As a beneficiary of the program, MMC has utilized these preferences to maintain high-quality jobs, to invest, and to compete with exports from China. These actions benefit both our countries. For these reasons, South Africa's AGOA eligibility should be continued.

Respectfully submitted,

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Madelein Todd
Chief Marketing Officer, MMC