

June 23, 2022

By Electronic Filing

William Shpiece  
Chair, Trade Policy Staff Committee  
Office of United States Trade Representative  
600 17<sup>th</sup> Street, NW  
Washington, DC 20508

Docket No: USTR-2022-0004

**Re: 2023 AGOA Eligibility Review – Comments of Manganese Metal Company on the Eligibility of South Africa**

Dear Mr. Shpiece:

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 2023. As the world continues to face the ever-increasing China dominance of commodities, continued fall-out of the Covid-19 pandemic, which highlighted the risks of China-dependence for commodities and a very volatile and challenging logistics environment post the Covid-19 pandemic, sustained AGOA benefits to South Africa are even more important to U.S. manufacturers.

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 at 93% of global supply (98% when including Chinese-owned Indonesian production by Indonesia Tsingshan Stainless Steel (“ITSS”)). Without preferential treatment under AGOA, MMC’s exports of EMM could not compete with the low prices offered by Chinese producers due largely to unsustainable and polluting practises in China. Without AGOA treatment, the economics of our business would suffer a serious blow and could be destroyed altogether.

At the same time, eliminating AGOA preferences for South African EMM would leave U.S. manufacturers and importers dependent on only China as the single source for a critical metal, at a time when diversification of supply sources has become crucial. ITSS, a Chinese-owned company situated in Indonesia, also produces EMM, but primarily produces for internal consumption. End-users in the United States would lose a valuable and necessary supplier were South Africa not to receive AGOA preferences.

EMM is primarily used as an input material to produce various types of steel, aluminium and other metal alloys. EMM will also be a consumed as a battery metal to produce lithium-ion batteries for the manufacture of electric vehicles in the United States. EMM is already used for this purpose in Asia. EMM was classified as a Critical and Strategic Material<sup>1</sup> and has been added to the Defense Logistics Agency’s Strategic Materials planned acquisition budgets for 2018 through 2021.<sup>2</sup> President Biden further signed Executive Order 14017 on February 24, 2021, to investigate (amongst other objectives) how to build resilient supply chains for large capacity batteries such as those used in electric vehicles (“EVs”).<sup>3</sup>

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<sup>1</sup> See *Final List of Critical Minerals 2018*, 83 Fed. Reg. 23295 (Dept. of the Interior May 18, 2018).

<sup>2</sup> See Defense Logistics Agency, “Materials of Interest,” available at <https://www.dla.mil/HQ/Acquisition/StrategicMaterials/Materials/>.

<sup>3</sup> Executive Order 14017, *America’s Supply Chains*, 86 Fed. Reg. 11849 (February 24, 2021); see also *Building Resilient Supply Chains, Revitalizing American Manufacturing, and Fostering Broad-Based*



Manganese was also identified as a critical battery raw material used in the production of lithium-ion batteries for EVs to ensure sustainable production of EVs in the United States and to reduce global CO<sub>2</sub>e emissions.

South Africa is an important trading partner of the United States and a significant economy within sub-Saharan Africa. South Africa also continues to meet the criteria set forth in Section 104 of AGOA and Section 502 of the 1974 Act.

For these reasons, AGOA provides substantial, mutual benefits to the United States and South Africa. AGOA benefits should be continued in 2023 in the interests of Africa and the United States.

The balance of this letter contains detailed facts supporting our request for continued AGOA eligibility.

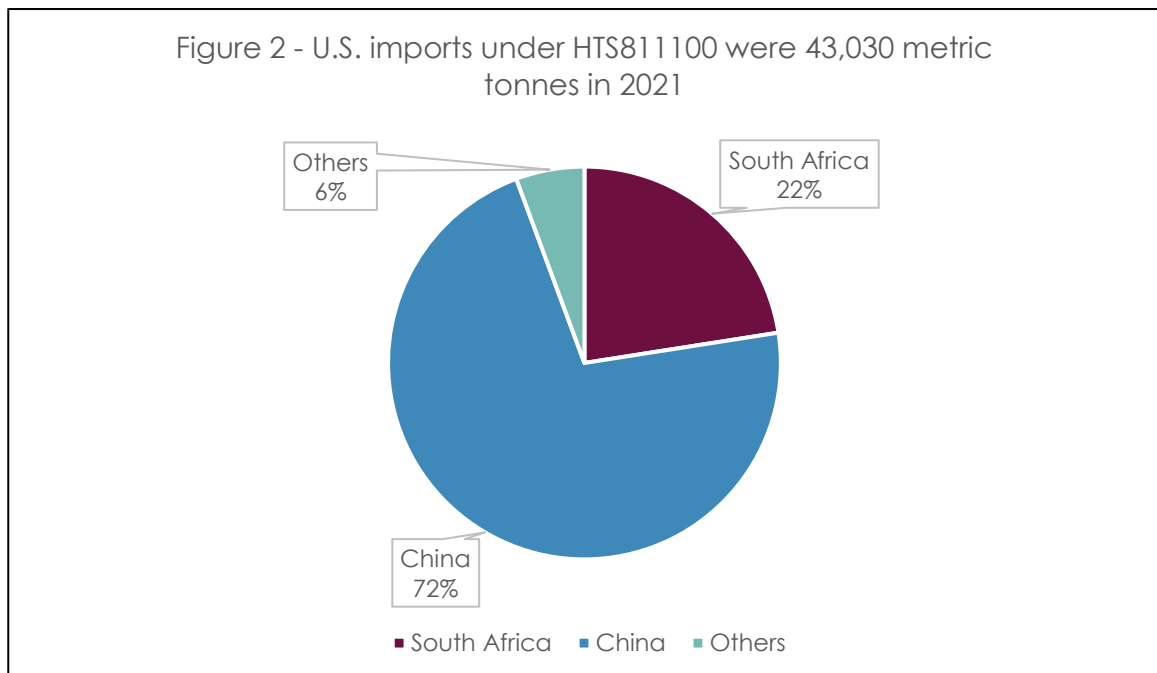
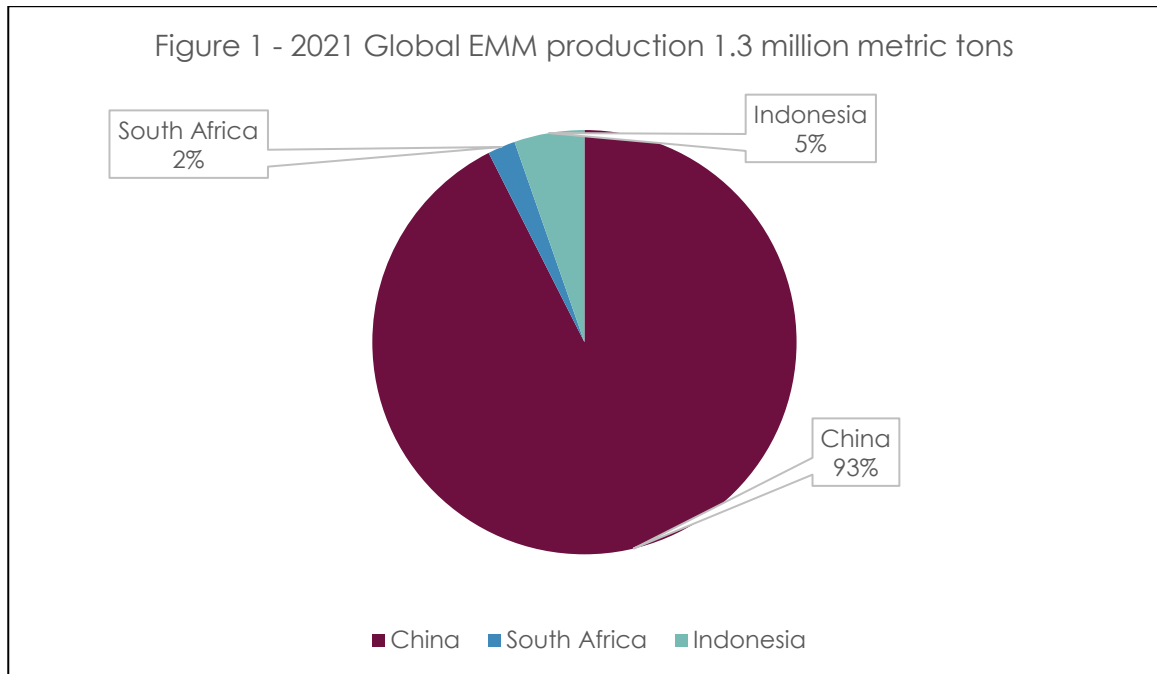
1. All EMM requirements by U.S. industries are met via imports from production located in only three countries – China, South Africa and, very recently, Indonesia (only 48 tons to date). Gabonese production of EMM was permanently suspended in Q2 2020 with sales and exports stopping in early 2021, leaving South Africa once again as the only non-Chinese producer of EMM. See Figure 1. Several other countries are recorded as the country of origin for EMM supply into the United States, but in these locations Chinese or South African origin EMM is toll processed into further products and then supplied to the United States. See Figure 2.
2. MMC supplied 22% of apparent U.S. consumption of EMM in 2021, as per U.S. Customs import data shown in Figure 2. Sustained AGOA benefits for South Africa remain very important to protect the United States from having China as its only supplier of a critical raw material – a key strategy in light of Covid-19 developments in 2020 and corporate risk reviews identifying China dependency as undesirable.
3. MMC's largest sales destination is Japan, followed by the United States and then Europe. See Figure 3. The largest application for the sales of MMC to Japan is the production of cathode active material for lithium-ion batteries. This is because China's EMM production is 99.7% Mn content, while South Africa's EMM production is 99.9% Mn content, and battery materials demand the highest purity.
4. In the coming years, the growth in production of electric vehicles will increase the global demand for high purity manganese products for lithium-ion battery production. If the United States is to have domestic lithium-ion battery production capabilities, as per the objectives of the Biden Administration and evidenced by the establishment of the Federal Consortium for Advanced Batteries,<sup>4</sup> then security of supply of the various critical battery materials – including high purity manganese – must be ensured. The AGOA program is a key avenue for supporting sustainable manganese supply for this growing industry, as South Africa is the world's largest producer of high purity manganese.
5. MMC is a valued corporate citizen with various employee development programs and above national average wage rates. However, 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 labour practices continue to this day. MMC currently employs just under 600 persons in Mbombela (400 full time, 200 regular contractors), resulting in indirect employment for an estimated 2,300 persons and induced employment for another 1,000 persons. In total, MMC creates an

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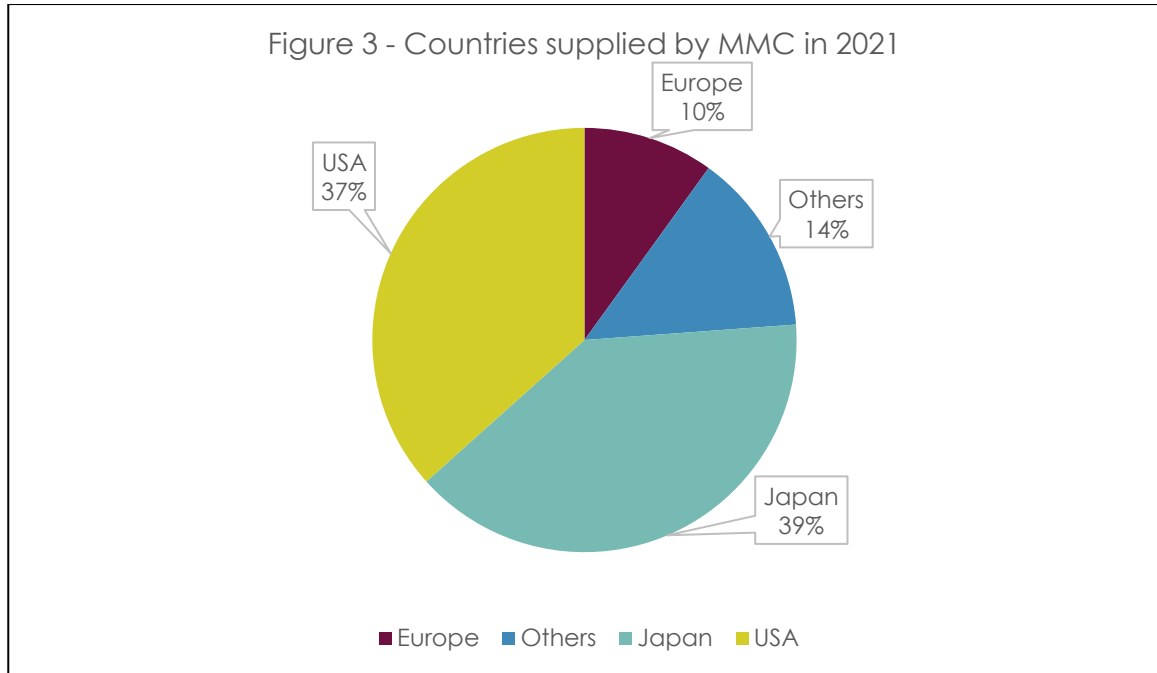
*Growth: 100-Day Reviews under Executive Order 14017* (June 2021), available at <https://www.whitehouse.gov/wp-content/uploads/2021/06/100-day-supply-chain-review-report.pdf>.

<sup>4</sup> See Department of Energy, "Energy Department and Other Federal Agencies Launch the Federal Consortium for Advanced Batteries" (Sept. 10, 2020), available at <https://www.energy.gov/eere/articles/energy-department-and-other-federal-agencies-launch-federal-consortium-advanced>.

estimated 3,900 jobs in Mbombela, where the unemployment rate is over 25%.<sup>5</sup> The closure of MMC would thus have a debilitating effect on the local and regional economy.



<sup>5</sup> Figures taken from Urban-Econ Development Economists' socio-economic impact assessment of MMC (July 2018, and reviewed in February 2021).



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 that is not produced in the United States and is China-dominated. We urge the committee to retain this status quo for 2023.

Respectfully submitted,

Madelein Todd  
Chief Marketing Officer, MMC