

July 7, 2023

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-2023-0003

**Re: 2024 AGOA Eligibility Review – Comments of Manganese Metal Company on the Eligibility of South Africa**

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 2024. In particular, MMC's comments focus on Manganese Metal. It is a "Critical and Strategic Material" for purposes of the DLA's Strategic Materials acquisitions, as well as a critical material for the production of EV batteries. 95% of U.S. imports of Manganese Metal are sourced in South Africa or China. The only other source of this critical material is a Chinese-owned producer in Indonesia. There is no production of this critical material in the United States. Manganese Metal produced in South Africa is the highest purity Manganese in the world. As outlined in detail below, U.S. end-users rely on imports of Manganese Metal from South Africa for critical applications. For these reasons, and apart from the recent geopolitical tensions arising from South Africa's relationship with Russia, imports of Manganese Metal from South Africa should not be stripped of AGOA benefits. As the world grapples with the challenges posed by China's commodity dominance, the continuation of AGOA benefits for South Africa becomes even more essential for U.S. manufacturers.

MMC serves as the sole producer of electrolytic manganese metal ("EMM") in South Africa, supplying a critical metal to end-users in the United States. EMM is not produced within the United States and is predominantly manufactured in China, accounting for a significant percentage of global supply. Without preferential treatment under AGOA, MMC's exports of EMM would struggle to compete with the low prices offered by Chinese producers, primarily due to unsustainable practices and concerns over environmental pollution in China. The lack of AGOA treatment would deal a severe blow to the economics of our business and potentially lead to its demise.

Furthermore, revoking AGOA preferences for South African EMM would leave U.S. manufacturers and importers overly reliant on China as the sole source for this critical metal at a time when diversification of supply sources has become imperative. While there is limited production of EMM by other countries, such as Chinese-owned production in Indonesia, South Africa remains a significant and reliable supplier. Excluding South Africa from AGOA benefits would disrupt the supply chain and negatively impact the availability and affordability of EMM for U.S. industries.

EMM is a vital input material for producing various types of steel, aluminum, and other specialty metal alloys used in Defense Industries. Additionally, it plays a significant role as a battery metal for manufacturing lithium-ion batteries used in electric vehicles ("EVs") in the United States. Pursuant to the Inflation Reduction Act ("IRA"), eligible clean vehicles in 2024 "may not contain any battery components that are manufactured by a foreign entity of concern" and beginning in 2025 "may not contain any critical minerals that were extracted,

processed, or recycled by a foreign entity of concern.”<sup>1</sup> A “foreign entity of concern” includes any foreign entity that is “owned by, controlled by, or subject to the jurisdiction or direction of a government of a foreign country that is a covered nation,” specifically China, Russia, Iran, or North Korea.<sup>2</sup> This, notably, does not include South Africa. It follows that U.S. manufacturers will continue to source EMM for EV batteries from South Africa, but will be restricted from obtaining EMM from China. South Africa’s AGOA eligibility thus has significant implications for EVs and the U.S. manufacturers required to meet IRA criteria.

EMM was classified as a Critical and Strategic Material<sup>3</sup> and has been added to the Defense Logistics Agency’s Strategic Materials planned acquisition budgets for 2018 through 2021.<sup>4</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 EVs.<sup>5</sup> Manganese was also identified as a critical battery raw material used in producing lithium-ion batteries for EVs to ensure sustainable production of EVs in the United States and reduce global CO<sub>2</sub>e emissions.

The importance of diversifying supply sources for critical battery materials has been underscored by recent geopolitical tensions and the need to establish resilient supply chains. AGOA provides an avenue to support the sustainable production of EVs in the United States by ensuring a stable supply of high-quality EMM from South Africa.

South Africa holds a significant position as an important trading partner of the United States and a substantial economy within sub-Saharan Africa. Despite the geopolitical tensions mentioned earlier, it continues to meet the eligibility criteria outlined in Section 104 of AGOA and Section 502 of the 1974 Act.

Considering these factors, AGOA provides substantial mutual benefits to the United States and South Africa. It is imperative to maintain AGOA benefits in 2024 for the interests of both South Africa and the United States.

The remainder of this letter provides detailed facts supporting our request for South Africa’s continued eligibility under AGOA.

1. All U.S. industries’ requirements for EMM are currently met through imports from production located in only a few countries, primarily China and South Africa. Other potential sources, such as Indonesia, offer limited export output and cannot replace South Africa’s contribution. See *Figure 1* for a visual representation of EMM supply sources.
2. According to U.S. Customs import data shown in *Figure 2*, MMC supplied a significant portion of the apparent U.S. consumption of EMM in 2022, accounting for 19% of the total. Sustaining AGOA benefits for South Africa is vital to ensure a diversified supply of EMM, reducing overreliance on China as the sole supplier and mitigating risks associated with geopolitical tensions.

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<sup>1</sup> See Treasury Releases Proposed Guidance on New Clean Vehicle Credit to Lower Costs for Consumers, Build U.S. Industrial Base, Strengthen Supply Chains (March 23, 2023), available at <https://home.treasury.gov/news/press-releases/jy1379>.

<sup>2</sup> 42 U.S.C. § 18741(a)(5).

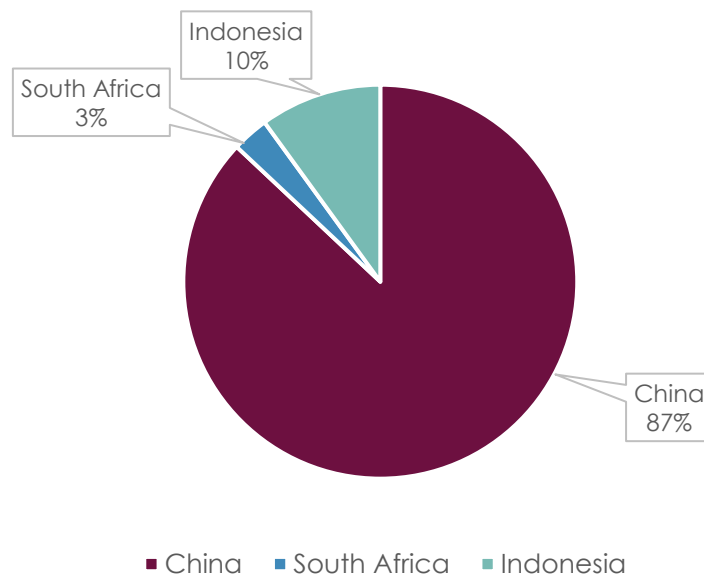
<sup>3</sup> See *Final List of Critical Minerals 2022*, Federal Register number: 87 FR 8650 (Dept. of the Interior February 24, 2022).

<sup>4</sup> See Defense Logistics Agency, “Materials of Interest,” available at <https://www.dla.mil/HQ/Acquisition/StrategicMaterials/Materials/>.

<sup>5</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 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>.

3. MMC's primary sales destination is Japan, followed by the United States and Europe. See *Figure 3*. MMC's EMM plays a critical role in the production of cathode active material for lithium-ion batteries, particularly due to its 99.9% manganese content compared to China's EMM production of 99.7% manganese content. The demand for high-purity manganese products will surge with the expected growth in electric vehicle production. South Africa's EMM, with its superior purity, is an essential component for sustainable lithium-ion battery production, aligning with the objectives outlined in Executive Order 14017.
4. In the coming years, the growth in the 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, reflecting the objectives of the Biden Administration and the goals of the Inflation Reduction Act,<sup>6</sup> then the security of supply of the different critical battery materials – including high purity manganese – must be ensured. The AGOA program is crucial for supporting sustainable manganese supply for this growing industry, as South Africa is the world's largest producer of high-purity manganese metal. Battery materials from South Africa will also remain permitted under the IRA, whereas Chinese battery materials will not.
5. As a valued corporate citizen, MMC contributes to job creation and provides above-average wages. However, the global market poses challenges due to the subsidization of Chinese supply, intermittent environmental protection measures, and unfair labor practices. MMC's operations in Mbombela, South Africa, employ nearly 600 individuals directly, indirectly supporting an estimated 2,300 jobs and inducing employment for another 1,000 individuals. The closure of MMC would have severe economic consequences for the local and regional economy, where unemployment rates already exceed 25%.<sup>7</sup>

Figure 1 - 2022 Global EMM production 788,757 metric tons



<sup>6</sup> See White House release: <https://www.whitehouse.gov/cleanenergy/inflation-reduction-act-guidebook/>

<sup>7</sup> Figures taken from Urban-Econ Development Economists' socio-economic impact assessment of MMC (July 2018, and reviewed in February 2021).

Figure 2 - U.S. imports under HTS code 811100 were 43,330 metric tonnes in 2022

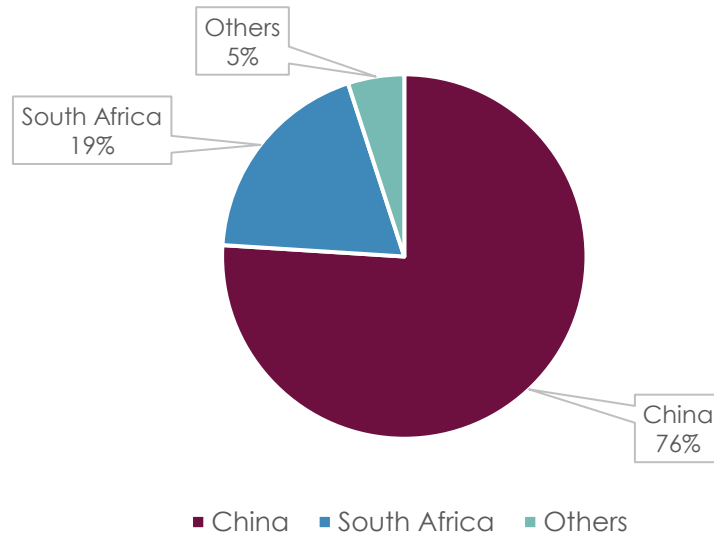
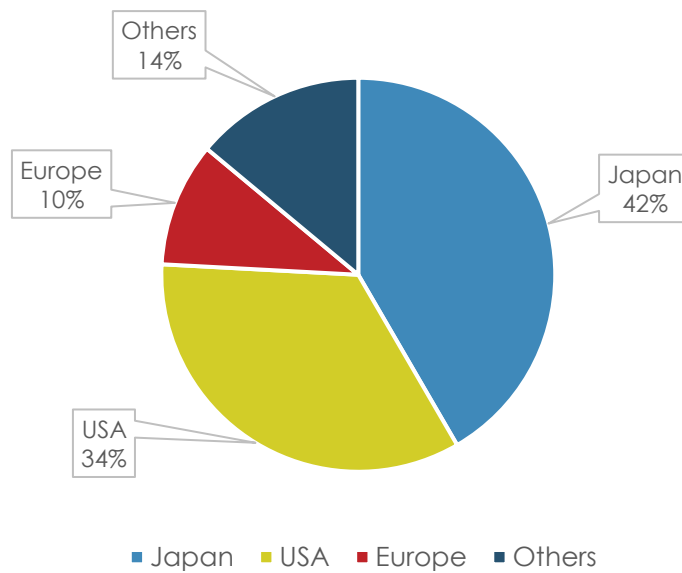


Figure 3 - Countries supplied by MMC in 2022



In summary, AGOA eligibility for South Africa, including MMC as a critical supplier, has facilitated job creation, attracted investment, and ensured a diversified supply of critical raw materials that China dominates. South Africa further provides much-needed battery materials for U.S. manufacturers who will soon be cut off from Chinese supply under the IRA. The committee should recognize the importance of this supply to the U.S. market and maintain AGOA benefits for South Africa in 2024.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'M Ruiters'.

Morné Ruiters  
*Chief Marketing Officer, MMC*