



Port - Photo by Alex Duffy on Unsplash.

too much integration slows that process, producing undesired effects.

The positive effect of integration on transformation occurs through enhanced efficiency, comparative advantage, external finance and risk diversification. Countries can have these features despite being less integrated and operating below the thresholds. The benefits of integration come from efficiency of integration rather than unbridled integration.

A key implication is that efficiency in both trade and financial integration is critical to driving structural transformation in Africa. This explains the urgent need for African countries to simultaneously deepen trade and financial integration. Economies that embark on economic integration along both lines can expect to have improved transformation for sustainable development.

#### **The role of the free trade area**

The study shows that Africa has opportunities to integrate further. The African free trade area has the potential to defragment the continent and bring its economies into the global economy.

The free trade area aims to progressively eliminate tariffs and non-tariff barriers to trade in goods and to liberalise trade in services. It will establish a single continental market for goods and services: a bigger and more competitive market.

A bigger free trade area will not only boost intra-regional trade, it will also hasten the development of regional supply chains. These have driven structural transformation in other regions, for example Asia. It is also necessary for policy to address the non-tariff barriers to trade. Among these are poor logistics and infrastructure (such as roads, rail, ports, power and digital connectivity).

Countries should be focusing on removing such bottlenecks. The African Union, United Nations Economic Commission for Africa and the African Development Bank should get the free trade area working as soon as possible.

It has the potential to make a big difference to structural transformation and could be the game-changer for Africa.