

The study: findings and implications  
With this background, I examined the effects of economic integration on structural transformation in 32 African countries from 1985 to 2015. The time period and choice of countries were based on data availability.

I created an index of structural transformation that incorporates changes in sectoral value addition and demographic characteristics. The index ranges between 0 (low transformation) and 1 (high transformation). I found that structural transformation on the continent was low, with an average value of 0.419, but varied across countries.

The majority of the countries' indices were lower, suggesting that structural transformation is only just beginning.

I also found that African countries were less integrated in terms of trade and finance than other developing economies.

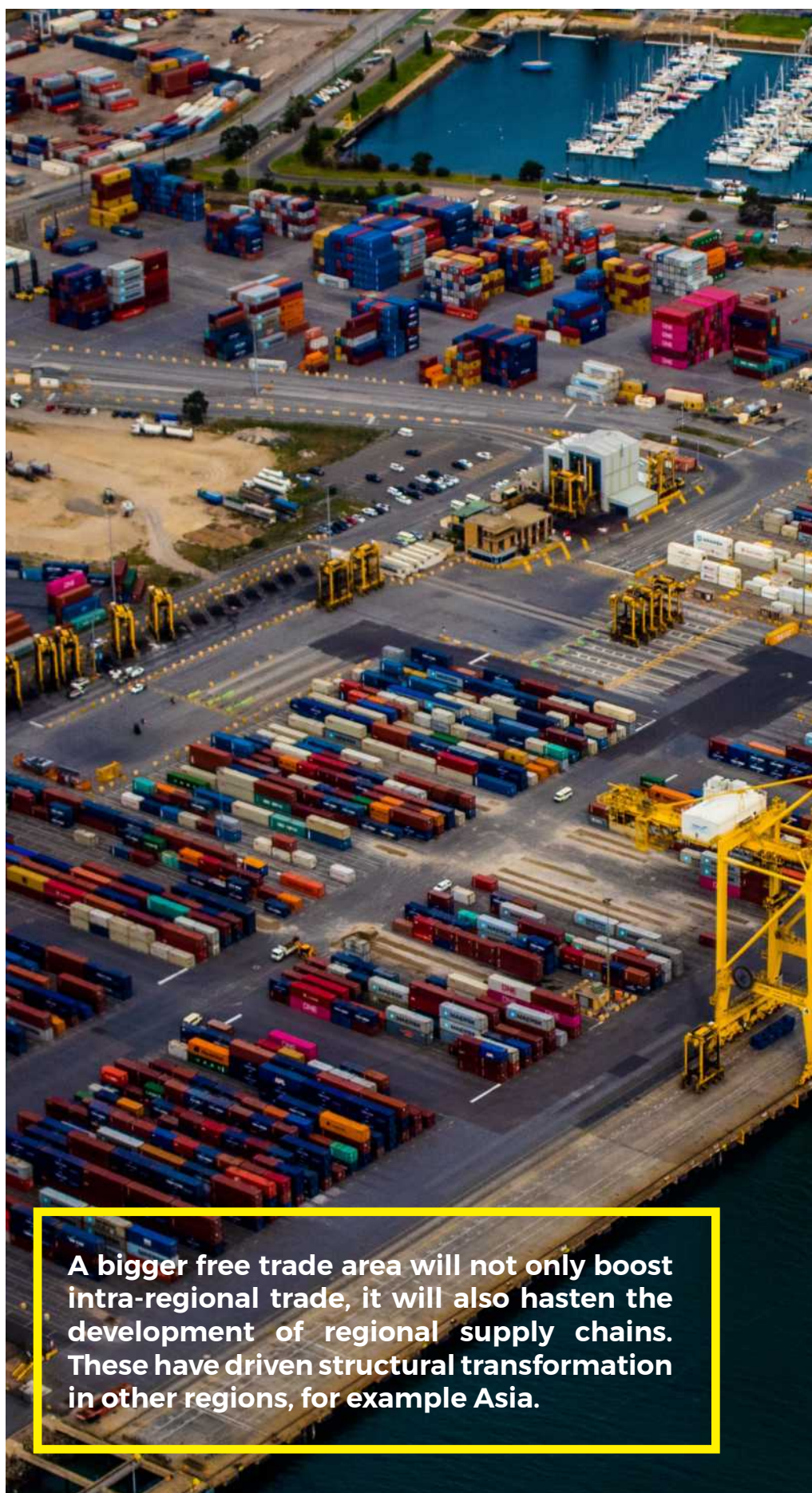
I measured trade integration as the ratio of countries imports and exports to GDP. This shows the degree of openness. I found that the optimal level for trade integration was 73.29% of GDP. By this I mean the level of trade integration that produces an improved effect on structural transformation.

The data suggested that trade integration encourages the reallocation of resources to more productive sectors.

To measure financial integration, I used the ratio of countries total foreign liabilities and assets to GDP. This shows the degree of restriction of capital flows. The optimal level for financial integration was 137.5% of GDP. Ten African countries were above these levels and 22 were below.

The 10 countries that are above this financial integration threshold are Botswana, Congo Republic, Côte d'Ivoire, The Gambia, Guinea Bissau, Mauritania, Mauritius, Seychelles, Sudan and Togo. Similarly, the 10 countries above the trade integration threshold are Botswana, Congo Republic, Côte d'Ivoire, Gabon, Mauritania, Mauritius, Seychelles, Eswatini (formerly Swaziland), Togo and Tunisia.

I observed that structural transformation increases more in countries that are below these levels of integration compared to countries that are above the thresholds. Integration increases structural transformation, but



**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.**