Journal of Economic Development, Innovation and Policy
Vol. 1 (2025), No. 2, pp. 125-137
DOI: https://doi.org/10.55578/jedip.2509.009

ARTICLE

Strategic Shifts in the GCC: Institutional Pathways Toward Economic Integration

Mohammadreza Mohammadi[1,*]

[1] *Science and Research Branch, Islamic Azad University, Tehran, Iran*

[*]Corresponding author. Email: mohammadrezamohammadi13681989@gmail.com

Received: 3 September 2025, Accepted: 24 September 2025, Published: 25 September 2025

Abstract

This study investigates how strategic priorities within the Gulf Cooperation Council (GCC) have evolved toward deeper economic integration. Triggered by Britain's withdrawal from the Persian Gulf and the emergence of sovereign Arab states, the GCC was formed to manage shared regional interests through cooperative mechanisms. The research addresses the question: How has the GCC transitioned from basic coordination to institutionalized economic convergence? Using a multi-method approach descriptive, causal-explanatory, structural, procedural, and agent-based the study analyzes institutional transformations across member states. Findings reveal a shift from initial coordination to transnational economic interdependence, positioning the GCC as a maturing platform for regional integration. The study contributes to integration theory by mapping the institutional logic behind the Council's evolving strategies.

Keywords: Multilateralism; Transnational Interactions; Economic Convergence; Mutual Interdependen -ce; GCC

1. INTRODUCTION

Undoubtedly, the Middle East is one of the most important, sensitive, and complex regions in the world. What distinguishes this region across all dimensions and domains are its unique political, economic, socio-cultural, geographical, and geopolitical characteristics. Today, these factors—interconnected and operating within a dialectical and interactive framework—have systematically transformed the region's structure in terms of geopolitics, geo-economics, and beyond. Within the framework of this new networked regional structure, one can identify various geopolitical nodes, the most significant of which is the Persian Gulf. This node, or regional ecosystem, underwent substantial transformations following World War II and the withdrawal of Britain. Chief among these changes was the political and economic independence of the Arab sheikhdoms of the Gulf, which marked the emergence of new actors in the regional system of the Persian Gulf. These developments influenced the structural equations of the region through the dialectical interaction of political, economic, socio-cultural, and security components, as well as power dynamics in relation to other regional actors. The intensification of cooperation among these states within this interactive space ultimately led to the formation of an organization known as the Gulf Cooperation Council (GCC) within the regional system of the Persian Gulf. Since the establishment of the GCC, one issue that has arguably received little attention from scholars and researchers—particularly domestic ones—is economic convergence within the Council. As a result of conflating ontological questions with empirical observations and judgments based on experiential data, unrealistic assessments have emerged in academic circles regarding economic convergence and its progress toward regional economic integration within the GCC.

However, it appears that the priorities of the GCC have shifted since its inception. Through foundational institutionalization, the member states have not only managed cooperative efforts but also laid the groundwork for deepening economic convergence as a process and condition with spillover effects at the transnational level across various sectors. By increasing mutual interdependence among

https://doi.org/10.55578/jedip.2509.009

members, the Council has evolved into a significant convergence project aimed at regional economic integration.

Accordingly, this inquiry adopts a critical perspective on the process of economic convergence within the GCC, employing a systematic theoretical approach and a methodological synthesis. Drawing on various methodological frameworks—including procedural, causal, alternative modeling, transformational, structural and agent-based, comparative, historical, analytical-descriptive, and explanatory methods—it seeks to provide a comprehensive outlook on the process of economic convergence. In doing so, it aims to address existing ambiguities and research gaps, particularly in domestic studies, within the fields of international relations, regionalism, and other related domains (such as international economics, with a special focus on studies of international monetary and financial institutions and regional integration). In this regard, the present article first outlines the conceptual foundations of the study, along with the theoretical and meta-theoretical bases of regional convergence, and introduces the conceptual model of the research. Subsequently, it examines the causes and process of the GCC's formation, analyzes the transformation of the Council's priorities within an institutional framework, and ultimately, within the research model, explains and evaluates the process of cooperation management toward economic convergence.

2. CONCEPTUAL FRAMEWORK OF THE STUDY

This study draws a critical distinction between *cooperation* and *convergence*, both in qualitative and quantitative terms—an analytical separation that carries significant implications for understanding regional integration. Cooperation refers to a set of activities aimed at reducing discrimination, disparity, and fragmentation among political units. Convergence, by contrast, entails actions that eliminate structural divisions and discriminatory practices altogether. For example, while international trade agreements may facilitate cooperation by establishing shared platforms, economic convergence requires the removal of trade barriers and the institutionalization of unified frameworks [32].

Theoretical perspectives reinforce this duality. Joseph Frankel conceptualizes convergence as both a *process* and an *outcome*, a view echoed by Philippe Schmitter, who similarly frames convergence as a dynamic trajectory culminating in a final integrated state [6]. Within a regional ecosystem, cooperation is typically open-ended, allowing states to pursue multilateral interests and address common challenges across diverse domains. Convergence, however, represents a deeper transformation—one in which autonomous units progressively integrate into a cohesive whole [8,45]. Economic convergence, in this context, involves the systematic reduction of barriers to the movement of goods, capital, and labor; the harmonization of legal and regulatory frameworks; the adoption of shared norms and standards; and the unification of economic policies through transnational institutions such as free trade areas, common markets, monetary unions, and economic-political unions [32,48].

This conceptual foundation directly informs the study's methodological architecture. Given the multidimensional nature of economic convergence within the GCC, a multi-method approach is employed to capture the complexity of institutional transformation. The selected methods are not arbitrary; each is strategically aligned with a specific analytical layer:

- Descriptive analysis traces the historical evolution of cooperative practices within the GCC.
- Causal-explanatory techniques identify the driving forces behind the shift from cooperation to convergence.
- Structural and procedural methods examine the institutional mechanisms and policy frameworks that facilitate integration.

Agent-based analysis investigates the role of member states and transnational actors in shaping convergence outcomes.

3. ECONOMIC CONVERGENCE MODEL

Within the framework of the semantic and theoretical network of the study, a conceptual model is formed that, in general, theoretically illustrates the trajectory of a convergence project toward economic regionalism in a simplified manner. While emphasizing cooperation as an open-ended process, it considers convergence both as a process and a condition.

3.1. Initial Convergence Process

In this phase, stable and sustained cooperation within an institutional framework lays the groundwork for strengthening convergence. At this stage, based on the defined objectives of the actors, institutionalization becomes the criterion and standard. This type of institutionalization is foundational and enhances cooperation among members. The gradual embedding of this rule within a dialectical space of continuous interactions progressively increases institutional cohesion and facilitates deeper cooperation.

Typically, this process involves actions such as establishing specialized committees, regional agencies, signing special multilateral agreements, and engaging in economic, commercial, technical, and other activities by the units. These actions, by increasing transnational interactions and cooperation, pave the way for deepening cooperation toward convergence. At this stage, convergence is sectoral in nature and may be accompanied by benefits and privileges for the units. However, in reality, the motivation of actors to continue cooperation shifts based on the principle of profit and loss derived from sectoral convergence.

If actors determine that convergence in a particular sector has yielded equal benefits and privileges for all members, the motivation to continue cooperation gradually increases in other sectors. As the scope of cooperation between units expands incrementally, managing cooperation within a complex framework of various relationships becomes necessary.

3.2. Complementary Convergence Process

Foundational institutionalization, increased institutional cohesion, expanded cooperation, and efforts to address emerging challenges gradually necessitate the organized and extensive management of cooperation to advance to higher levels and deepen convergence. Managing cooperation within a complex framework of relationships facilitates deeper convergence. Measuring the progress of such convergence, based on scale and metrics, reveals the challenges, constraints, and capacities of the project in its pursuit of regional integration.

Extensive cooperation management, while reinforcing sectoral convergence, drives the convergence process toward a complementary phase. More precisely, at this stage, the inclination of actors and units to play roles at the transnational level is strengthened. Through the gradual creation of complexity and interdependence—both automatic and semi-automatic—a new phase of convergence emerges. In this phase, the domains of cooperation between units expand (convergence diffusion process), and with the deepening of convergence, they are increasingly led toward mutual interdependence.

This assumption clarifies that sectoral convergence formed during the initial process gradually spreads to other sectors in the complementary process, thereby laying the foundation for regional integration.In the complementary process, activities within frameworks such as customs unions, common markets, convergence in infrastructural domains, and monetary unions become increasingly complex. The quality of economic relations among members and the ability to measure the degree of progress and depth of convergence toward regional integration are enhanced. This is achieved by defining scales (objectives and progress levels) and assigning values to these scales within a perceptual-operational environment

3.3. Causes of the Formation of the Gulf Cooperation Council (Context)

A) Physical Context (Geography and Geopolitical Structure): The Gulf Cooperation Council (GCC) is one of the regional organizations formed under the influence of geographical factors and a shared geopolitical structure. These countries are geographically aligned with the geopolitical grouping of the Persian Gulf. In terms of physical environment, they possess an integrated setting with similar geographical and strategic characteristics.

B) Non-Physical Contexts: On one hand, the GCC shares socio-cultural commonalities, meaning that it constitutes part of the Arab world with shared culture, religion, sect, and historical background [17]. This has played a significant role in the formation of a “shared identity” among them [36]. On the other hand, the member states of this organization share economic and political (structural-normative) similarities, which act as a driving force among members toward achieving common goals [32].

C) Security Contexts: The GCC is a regional organization founded on a shared understanding of security within the geopolitical knot of the Persian Gulf. This subregional organization was established based on mutual security interdependence among member states [19], and it possesses shared security interests [29]. Several factors contributed to the development of this shared security perception among members, the most important of which include:

- The withdrawal of Britain in the early 1970s and the resulting security challenges, such as nation-building and fears of disrupting the regional balance of power [21];
- Political and economic developments of the 1980s, including the Islamic Revolution and the Iran-Iraq War, the Soviet invasion of Afghanistan, increased dependence on oil, superpower rivalry [32], and the rise of a Marxist-Leninist government in Ethiopia [35].

Therefore, it must be emphasized that these factors, in a dialectical and interactive continuum, served as catalysts for the Arab states of the Persian Gulf to establish the GCC.

3.4. Process of the Formation of the Gulf Cooperation Council (Action)

Under the influence of the aforementioned considerations, movements toward the formation of the Council gradually intensified. Initial efforts to create a framework for cooperation among the Arab states of the Persian Gulf (the current GCC members) date back to the 1960s but were unsuccessful. With the realization of Britain's planned withdrawal from the Persian Gulf, frantic activities emerged regarding the possibility of establishing a regional organization in the Gulf.

In this context, in 1976, the foreign ministers of the Arab states of the Persian Gulf—along with Iran and Iraq—met in Muscat at the invitation of Oman to discuss joint security and defense policies, though the meeting yielded no tangible results.

However, the main idea for forming a regional organization—later known as the Gulf Cooperation Council—was proposed during the 17th Arab Summit held from January 25 to November 27, 1980, in Amman, the capital of Jordan, with the participation of the Arab states of the Persian Gulf [34]. At this summit, Sheikh Jaber Al-Ahmad met with other Arab Gulf states and proposed the idea of establishing an organization among the Arab countries of the Persian Gulf [35].

Subsequently, at the meeting of foreign ministers of the six Arab Gulf states on February 4, 1981, in Riyadh, Kuwait emphasized the establishment of the Gulf Cooperation Council to provide a framework for cooperation, coordination, and convergence in cultural, social, economic, political, and financial affairs. Thus, in this meeting, the creation of a regional international organization among them was formalized by mutual agreement.

In a subsequent meeting in Muscat from March 9 to 10, 1981, and finally on May 24, 1981, in Abu Dhabi [35], the institutional structure of the Council was defined through the appointment of a Secretary-General [26].

Ultimately, all actions taken by the political elites of the Arab states of the Persian Gulf, within a consensus-based communication framework aimed at addressing political, economic, security, and socio-cultural challenges, led to the formation of the Gulf Cooperation Council, composed of six members: Saudi Arabia, Qatar, Bahrain, Kuwait, Oman, and the United Arab Emirates, on May 25, 1981.

Gulf Cooperation Council: The Emergence of Transnational Cooperation in Light of National Actor Interactions.

4. CHARTER, OBJECTIVES, AND INSTITUTIONAL STRUCTURE

Immediately following the establishment of the Council, the member states began drafting the organizational charter of the Gulf Cooperation Council (GCC). Ultimately, the charter, consisting of a preamble and 22 articles, was formally ratified by the members on May 25, 1981. Within the framework of the charter, Article 4 outlines the objectives of the GCC, stating that the members aim to achieve coordination, cooperation, convergence, and practical internal relations among themselves in all fields; to deepen and strengthen relationships, ties, and the development of public cooperation among people in various domains; and to harmonize and unify laws and regulations across different sectors [34].

Notably, this article does not include security among the core objectives of cooperation between GCC member states [35]. This omission may reflect a broader reality: that following the formation of the GCC, the orientation of its members shifted, and cooperation among them became increasingly managed toward economic convergence [26].

Article 5 of the charter addresses the organizational and institutional structure of the GCC. According to this article, the main organs of the Council include: the Supreme Council, the Ministerial Council, the Secretariat General, and specialized regional agencies [11]. Within this framework, the Supreme Council is the highest authority and the principal decision-making body. It comprises the heads of member states and convenes twice annually to determine policy direction and appoint the Secretary-General [11,38].

The Ministerial Council consists of foreign ministers and other ministers appointed by the member states. This council provides recommendations and proposals across all areas and votes unanimously on major issues and by majority on procedural matters. Several ministerial-level committees exist, the most prominent of which is the Economic Convergence Committee—formally known as the Economic and Financial Cooperation Committee—composed of finance and economy ministers from the member states [38]. The Secretariat General serves as the executive and administrative arm of the GCC. Its Secretary-General [11] is appointed by the Supreme Council upon the recommendation of the Ministerial Council for a renewable three-year term [35]. The Secretariat operates independently in pursuit of the shared interests of the member states [34,38].

Additionally, the GCC includes specialized agencies responsible for designing and implementing technical standards, mediating commercial and trade disputes, and registering patents and licenses [11].

Therefore, it can be argued that the dynamism of the global economic system and the necessity of reducing existing vulnerabilities to achieve the desired outcomes in both national and global economies have directly and indirectly reshaped the individualistic prioritizations of member states within the framework of the Gulf Cooperation Council (GCC). In the dialectical interaction of politics, security, economy, and socio-cultural dynamics within the GCC framework, the economy has emerged as the dominant and determining variable. Cultural, social, and political issues have served as reinforcing elements of this dominant trajectory, while security has evolved into a distinct and permanent stream—one that both influences and is influenced by the prevailing economic current at domestic and international levels.

As a result, it must be acknowledged that the GCC, following its establishment, has undertaken institutional reforms and strategic reorientations aimed at managing cooperation to achieve economic convergence.

5. THE PROCESS OF ECONOMIC CONVERGENCE IN LIGHT OF TRANSNATIONAL ACTOR INTERACTIONS

From Cooperation Management to Deepening Economic Convergence: In this section, to understand how the GCC has managed intra-organizational cooperation within an institutional framework to deepen collaboration and achieve convergence, the process and status of economic convergence within the GCC will be examined through the research's analytical model in two phases: preliminary and complementary.

6. PRELIMINARY PHASE OF ECONOMIC CONVERGENCE: FOUNDATIONAL INSTITUTIONALIZATION AND COOPERATION MANAGEMENT

The Economic Integration Agreement among member states—completing the institutional convergence process—was signed two weeks after the ratification of the GCC Charter (Makhawi, 1990: 34), during the Council's second meeting held on November 11, 1981, in Riyadh. This agreement outlined a program for joint activities it defined the economic and political framework and the stages of economic cooperation and integration, and in fact, it was the core of the OIC (110) programs and the backbone of the Gulf Cooperation Council (GCC) in pursuing the policy of economic integration [35].

6.1. Status of Convergence within the Framework of the Economic Integration Agreement

The aforementioned agreement, structured around defined principles and provisions, marked the beginning of the economic convergence process within the Gulf Cooperation Council (GCC). Its objectives included the harmonization of tariff systems, the elimination of discrimination among member states regarding regulations governing the flow of capital and labor across shared borders, the coordination of policies across all sectors of the oil industry, the alignment and standardization of industrial development programs, and the integration of investment strategies aimed at achieving a unified investment policy [26]. The agreement also sought to unify and converge laws, regulations, and strategies in economic, financial, and commercial domains, and to establish infrastructural linkages among member states—particularly in the fields of telecommunications, electricity, and gas. Economic convergence among member states was to be achieved through gradual steps, beginning with a free trade area, followed by a customs union, a common market, and culminating in a monetary and economic union with the establishment of joint institutions (Organization of Islamic Cooperation [OIC], 110). This framework remained in effect until 2001, the year the Economic Agreement of 2001 was signed.

6.2. Free Trade Area and GCC Free Trade Agreements

Following the signing of the 1981 Economic Integration Agreement, which served as the backbone and core of the economic convergence process, the first major practical step toward economic and financial convergence was the establishment of a "Free Trade Area" [32]. The GCC Free Trade Area was launched in 1983 as the initial phase of convergence, with the approach that tariffs on goods exchanged among member states would be completely eliminated. This process entailed three key provisions:

- Member states were required to consider the production of goods eligible for customs exemption.
- Goods benefiting from customs exemption had to be accompanied by a valid certificate of origin, officially endorsed by government agents.
- It was stipulated that originating products must be nationally produced, with a minimum value-added content of 40% of the final production value at the last stage of manufacturing, and that citizens of member states must hold at least 51% ownership of the production entity [37].

From a transregional and international perspective, the GCC also pursued the establishment of a transregional Free Trade Area and the signing of bilateral and multilateral Free Trade Agreements with various regions. Negotiations to establish a Free Trade Area between the GCC and the European Union and Asia are among the most significant multilateral trade negotiations undertaken by the Council [18,38].

Economic Agreement of 2001: Within the framework of the Economic Integration Agreement, limited progress was made in the economic convergence process of the Gulf Cooperation Council (GCC), with the Free Trade Area established and implemented in 1983 as the sole tangible outcome. However, by the late 1990s, the GCC entered a new phase of economic convergence. In fact, the signing of the Economic Agreement in 2001 in Muscat, as a replacement for the earlier Economic Integration Agreement, accelerated the convergence process within the GCC. This economic document outlined ambitious objectives for the subsequent stages of integration [38], the most significant of which included: establishing international economic relations between member states and other countries, economic groupings, regional and international organizations; forming a customs union; promoting technical cooperation; creating a common market; and enhancing investment among member states (Organization of Islamic Cooperation [OIC], 110).

Accordingly, in 2001, the Supreme Council developed a timeline to pursue and expedite the economic convergence process within the GCC. This timeline emphasized the implementation of the customs union in 2003, the drafting of executive guidelines such as convergence criteria for a monetary union, the completion of the common market by 2007, and ultimately, the adoption of a single currency by 2010 [38].

Customs Union: Following the initial step toward economic convergence in the GCC—namely, the establishment of the Free Trade Area—the second major practical step under the objectives and programs of the "Economic Agreement of 2001" was initiated with efforts to establish a customs union in 2003. The customs union represents the most advanced stage of economic convergence within the

GCC, aiming to eliminate internal tariffs and impose restrictions on joint foreign trade, while harmonizing external tariffs and national and domestic trade systems. This reflects the degree of institutional coordination enhancement toward convergence.

The union is based on principles such as: a common external tariff of 5% on all foreign imports; standardization of internal customs procedures; and unrestricted movement of goods free from customs and non-customs barriers. In this context, the union seeks to achieve goals such as minimizing difficulties, obstacles, and restrictions on the movement of national and foreign goods; increasing intra-regional trade; and optimizing the use of available resources by facilitating regional trade.

In this regard, analyses indicate that the GCC:

- Has performed relatively weakly in eliminating tariffs within its economic system, primarily due to the heterogeneity among member states in uniformly removing tariffs. However, this does not imply a lack of progress; rather, it reflects the reality that progress has been relative and gradual.
- Has shown limited effectiveness in standardizing and harmonizing customs procedures. Currently, only modest advancements can be observed in this area within the GCC, though it is anticipated that with planned initiatives, discrepancies in customs procedures will diminish and related issues will be resolved.
- Has made notable progress in facilitating the free movement of trade and transactions for citizens, and it is expected that this progress will continue and approach full realization.
- Has advanced the free movement of individuals and labor, facilitating the establishment of a free mobility regime. Despite existing limitations and obstacles, significant progress has been made in pursuing this critical objective, and prevailing trends suggest further advancement in this domain in the near future [25].

7. INFRASTRUCTURE CONVERGENCE

The establishment of shared infrastructure is one of the key domains of convergence within the Gulf Cooperation Council (GCC), which has witnessed significant progress through large-scale multinational projects across several sectors [40]. Infrastructure convergence within the GCC encompasses areas such as regional electricity, information and communication technology (ICT), transportation (air, sea, land, and rail), and oil and gas energy.

Regarding the regional electricity sector, it should be noted that the rise in global oil prices and the expansion of oil and gas production led to increased wealth among GCC member states. This rise in wealth was accompanied by population growth and a corresponding surge in electricity demand. In response to this challenge, GCC member states decided to liberalize their electricity markets [8]. Accordingly, they launched the “GCC Electricity Grid Interconnection Project” to develop and plan regional convergence in the electricity network [11]. This project was formally initiated in 1981 with the signing of the agreement to interconnect the internal electricity grids of the GCC. Following initial and secondary feasibility studies conducted in 1986 and 1992, the project entered a serious implementation phase in 2001, aiming to interconnect member states’ electricity networks, reduce reserve generation without compromising reliability, and achieve other related objectives [8,11]. The project was pursued in three phases.

As a result of these efforts, Phase I was completed between 2004 and 2009, and the implementation and completion of Phases II and III of the electricity interconnections are currently ongoing [28].

This major technical project within the Gulf Cooperation Council (GCC) has significantly contributed to the expansion of political and economic relations among member states in other domains, and has also enhanced cooperation in sectors such as transportation and communications. In the oil and gas sector, the GCC Gas Pipeline Project is set to export natural gas from Qatar to the United Arab Emirates, Bahrain, and Kuwait. The pipeline spans 360 kilometers and is being implemented at a cost of $10 billion [8].

Additionally, in the transportation sector, notable initiatives include: Bahrain and Qatar’s efforts to launch a highway and high-speed rail line at an estimated cost of $4 billion; Bahrain and Saudi Arabia’s development and expansion of the King Fahd Causeway; and Oman and the United Arab Emirates’ plan to construct a major highway connecting the two countries. Furthermore, all member states are collectively pursuing the construction of a 2,117-kilometer railway network at an estimated cost of $25 billion. Overall, these initiatives have intensified following Qatar's announcement as host of the FIFA World Cup in 2022 [40], thereby creating further momentum for deepening regional convergence.

8. MONETARY UNION OF THE GULF COOPERATION COUNCIL (GCC)

The first initiative toward a monetary union was undertaken between 1975 and 1978 by Bahrain, Kuwait, the United Arab Emirates, and Qatar, but it ultimately failed. Following the establishment of the GCC, the formation of the Monetary Agents Committee, the Central Bank Governors Committee, and the Financial and Economic Cooperation Committee—within the framework of the Economic Integration Agreement—laid the groundwork for a monetary union. However, the decisive commitment of member states to pursue this policy was demonstrated at the Muscat Summit in December 2001, where members voted in favor of establishing monetary unification through a central bank to coordinate monetary policies [44]. This decision created a significant platform for advancing political and economic convergence within the GCC [40].

Recent developments in the Gulf Cooperation Council (GCC) underscore both the promise and complexity of deeper economic integration, particularly in the realm of monetary union. While earlier efforts toward a unified currency stalled due to political sensitivities and institutional asymmetries, renewed interest has emerged amid global economic volatility and shifting regional dynamics. According to the World Bank [12], non-oil sector growth and strategic investment initiatives have strengthened the economic foundations of GCC states, creating more favorable conditions for monetary coordination [12].

Continuing this process, the Supreme Council approved convergence criteria and standards for financial and monetary integration at its December 2005 meeting in Dubai. These criteria mirrored those of the Maastricht Treaty, whereby member states adopted indicators such as exchange rate, inflation rate, and interest rate as benchmarks for monetary convergence, and indicators such as the ratio of annual fiscal deficit to GDP and the ratio of public debt to GDP as benchmarks for fiscal convergence [46]. However, the path toward monetary union remains fraught with challenges. The International Monetary Fund (2025) highlights that rising trade tensions, policy uncertainty, and geopolitical instability (especially in light of ongoing regional conflicts) have complicated macroeconomic planning across the GCC. These factors have introduced volatility into fiscal frameworks and undermined investor confidence, thereby slowing momentum toward monetary convergence [47]. The report emphasizes the need for robust policy buffers and structural reforms to mitigate the economic impact of uncertainty and enhance institutional resilience. Moreover, the EU-GCC dialogue on economic diversification has stressed the importance of harmonizing regulatory frameworks and enhancing cross-border financial cooperation. While progress has been made in aligning monetary policy instruments and banking standards, political fragmentation and divergent national priorities continue to hinder full monetary integration [13]. These findings suggest that while the GCC has made strides in economic convergence, the realization of a monetary union will require sustained political will, institutional innovation, and coordinated crisis management mechanisms.

Monetary and Fiscal Convergence Process: Regarding the exchange rate as a criterion for monetary convergence, it should be noted that over the past two decades, the GCC has experienced a high level of exchange rate stability. This is primarily due to the uniform exchange rate policies of each member state vis-à-vis the U.S. dollar. These similar policies toward a single foreign currency have not only limited fluctuations in currency value but have also played a significant role in the convergence of interest and inflation rates. Statistics indicate that, over the past ten years, inflation levels have declined and the gap between the highest and lowest inflation rates has narrowed to its lowest point [42]. Moreover, these policies have contributed to the convergence of interest rates [38].

Therefore, considering these conditions—and given that fiscal deficits remain below 3% of GDP and public debt below 60% of GDP—it can be concluded that the GCC has achieved a relatively high level of monetary and fiscal convergence [40]. However, while monetary and fiscal convergence are necessary prerequisites for achieving a monetary union—as the most realistic pathway to economic integration and political unity—they are not sufficient on their own. Other factors such as political attitudes and commitments, technical and institutional issues, economic diversity, and asymmetric shocks—both domestic and international—play a significant role in determining the success or failure of the monetary union in the short and long term [43]. Ultimately, based on the research model, the status of the monetary union within the GCC reflects the initial and ongoing steps taken by member states toward monetary convergence and the establishment of a unified currency.

In 2024, the outlook for economic convergence within the Gulf Cooperation Council (GCC) remained cautiously optimistic despite persistent geopolitical turbulence. According to the International Monetary Fund, non-oil sectors across GCC member states experienced notable expansion, driven by structural reforms and diversification strategies. Although oil production cuts temporarily dampened overall growth, the gradual easing of these constraints—alongside increased natural gas capacity—has helped stabilize the energy sector and reinforce the foundations for regional integration. The report further emphasizes the importance of enhancing private sector participation, aligning fiscal frameworks, and coordinating policy responses to mitigate medium-term risks such as geoeconomic fragmentation and climate-related disruptions. These factors are directly linked to the viability of monetary union efforts, underscoring the need for institutional resilience and synchronized macroeconomic planning [9].

9. CONCLUSION

This article, grounded in a critical approach, has aimed to analyze and explain the process of cooperation management toward economic convergence within the Gulf Cooperation Council (GCC), evaluating the evolution of its economic integration from inception to the present through an explanatory-systematic model supported by various analytical methods. It also offers a forward-looking perspective on the trajectory of GCC economic convergence in the third millennium. In this context, the research findings indicate that the priorities of the GCC have shifted since its formation. Within the dialectical interaction of politics, security, economy, and socio-cultural dynamics in the GCC framework, the economy has emerged as the dominant and determining variable. Cultural, social, and political issues have reinforced this dominant trajectory, while security has evolved into a distinct and permanent stream that, at both domestic and international levels, is positively influenced by the dominant economic current (e.g., the role of economic factors in fostering peace and security), and also exerts both negative (e.g., security disputes and their impact on convergence) and positive (e.g., shared security perceptions among member states and their role in strengthening convergence) effects on that current. Thus, within the regional system framework, these dynamics have shaped the evolution of convergence and, consequently, the economic regionalism of the GCC.

The shift in priorities, with the economy as the determining factor, has transformed cooperation into an open-ended process of institutional groundwork. In this regard, the GCC has established specialized committees such as the Export Committee, the Economic Convergence Committee, and regional agencies operating at the transnational level. These developments have increased the motivation of actors to strengthen economic convergence. These interactions, in a systematic manner (i.e., structured cooperation), created the conditions for the emergence of the initial phase of economic convergence, during which the GCC signed the Economic Integration Agreement and established a Free Trade Area. As a result, multilateralism among members has been reinforced through sectoral convergence.

The enhancement of institutional cohesion through foundational institutionalization, member efforts to address emerging challenges, and the strengthening of motivation to pursue shared goals within the institutional process have necessitated the management of cooperation in the convergence process. This imperative was operationalized in the 2001 Economic Agreement, which replaced the initial agreement and placed economic convergence within the final or complementary phase. It emphasized the rapid pursuit of goals such as the establishment of a customs union, infrastructure convergence, and a monetary union. Within the framework of this model, the overall analysis indicates that the GCC has performed relatively well in this process despite certain challenges. At this stage, sectoral convergence has gradually extended to other areas of cooperation (e.g., convergence in the electricity sector has expanded into other infrastructure domains such as transportation, energy, oil and gas, and aviation), thereby deepening integration and fostering increased interdependence among member states. Nevertheless, it cannot be assumed that these conditions will persist unchanged. The evolution of GCC economic regionalism within the regional system framework across different time periods—as previously discussed—may be influenced by challenging variables (e.g., internal political disagreements over various issues, security disputes, and economic disagreements), potentially leading to regression and resurgence in regionalism. The most recent regression in GCC regionalism stems from the disputes between Saudi Arabia and other Arab member states with Qatar over various issues within the domestic system (e.g., relations with the Muslim Brotherhood, the existence of Al Jazeera), the peripheral system (e.g., Qatar's relations with Iran), and the intervening system (e.g., the role of the United States). Given the objectives of this article and the broad analytical dimensions of these developments and their impact on economic regionalism, a detailed discussion of this topic will be deferred to future research.

Table 1. Evolution of GCC Economic Integration Phases

Phase	Key Features	Institutional Milestones	Impact on Convergence
Initial Coordination	Basic cooperation mechanisms; limited sectoral alignment	Formation of GCC (1981); Export Committee	Laid groundwork for structured cooperation
Structured Cooperation	Sectoral convergence; institutional expansion	Economic Integration Agreement; Free Trade Area	Reinforced multilateralism among member states
Foundational Institutionalization	Creation of specialized agencies; policy harmonization	Economic Convergence Committee; Regional Agencies	Increased motivation for deeper integration
Final/Complementary Phase	Pursuit of customs union, infrastructure convergence, and monetary union	2001 Economic Agreement	Deepened interdependence across strategic sectors

Table 2. Interplay of Regional Dynamics in GCC Convergence

Domain	Positive Influence on Convergence	Negative Influence on Convergence
Economic	Shared development goals; trade liberalization; sectoral integration	Economic asymmetries; competition over regional leadership
Political	Common governance interests; institutional cooperation	Internal disagreements; divergent foreign policies
Security	Shared threat perceptions; joint defense initiatives	Regional disputes (e.g., Qatar crisis); external interventions
Socio-Cultural	Cultural proximity; shared identity narratives	Media conflicts; ideological divisions (e.g., Muslim Brotherhood)

Funding Statement: This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

Contribution: The author was solely responsible for the conception, research, writing, and finalization of the manuscript.

Informed Consent Statement: Not applicable. This study does not involve human participants or personal data requiring informed consent.

Data Availability Statement: No new data were created or analyzed in this study. Data sharing is not applicable to this article.

Conflict of Interest Statement: The author declares no conflict of interest.

REFERENCES

1. Burchill, S., et al. (2012). *Theories of international relations* (H. Moshirzadeh & A. Talebi Arani, Trans.). Tehran: Mizan Publishing. (In Persian)
2. Seifzadeh, H. (2010, Summer). *Theorizing in international relations: Foundations and intellectual frameworks* (7th ed.). Tehran: SAMT Publishing. (In Persian)
3. Falk, R., & Deudney, J. (2012). *Contending theories in international relations* (V. Bozorgi & A. Tayeb, Trans., 4th ed.). Tehran: Qomes Publishing. (In Persian)
4. Ghavam, A. (2007). *International relations: Theory and approaches* (4th ed.). Tehran: SAMT Publishing. (In Persian)
5. Moshirzadeh, H. (2011, Winter). *Theories of international relations* (6th ed.). Tehran: SAMT Publishing. (In Persian)
6. Fotouhi, S. (2010, April). Globalization and regional convergence in the Persian Gulf countries. In *Proceedings of the Fourth International Congress of Geographers of the Islamic World*. Zahedan, Iran. (In Persian)
7. Ministry of Finance. (2011, December). *Special annex on Gulf financial and economic integration*. (In Arabic)
8. Economic Consulting Associates (ECA). (2010, February). *The potential of regional power sector integration: Gulf Cooperation Council countries – Transmission trading case study*. London: Economic Consulting Associates.
9. International Monetary Fund. (2024). *Gulf Cooperation Council: Pursuing visions amid geopolitical turbulence – Economic prospects and policy challenges for the GCC countries* (Policy Paper No. 066). https://doi.org/10.5089/9798400295744.007
10. International Monetary Fund. (2025). *Regional economic outlook: Middle East and Central Asia*. https://www.imf.org/en/Publications/REO/MECA/Issues/2025/04/24/regional-economic-outlook-middle-east-central-asia-april-2025
11. World Bank. (2010, October). *Economic integration in the GCC*. Washington, DC: The World Bank.
12. World Bank. (2023). *Gulf economic update: Structural reforms and shifting social norms to increase women's labor force participation*. https://www.worldbank.org/en/news/press-release/2023/11/22/economic-diversification-efforts-paying-off-in-gcc-region-but-more-reforms-needed
13. European External Action Service (EEAS). (2024). *EU-GCC dialogue on economic diversificatio -n*. https://www.eeas.europa.eu/sites/default/files/documents/2024/Briefing%20IMF%20World%20and%20MENA%20Economic%20Outlook%2020231221.pdf
14. Lotfian, S. (2007–2008, Winter). New security challenges in the Persian Gulf: Analyzing the national interests of Iran, US, and PGCC triad. *The Iranian Journal of International Affairs, 20*(1).
15. Mohammad Nia, M. (2011, March). Holistic constructivist approach to Iran's foreign policy. *International Journal of Business and Social Science, 2*(4).
16. Naji Saeid, & Jawan, J. A. (2011, May). Role of the Persian Gulf's oil in the US geopolitical codes during the Cold War geopolitical order. *International Journal of Humanities and Social Science, 1*(5), 206-220. https://www.ijhssnet.com/journals/Vol._1_No._5;_May_2011/23.pdf
17. Naithani, P. (2010, January). Challenges faced by expatriate workers in Gulf Cooperation Council countries. *International Journal of Business and Management, 5*(1), 98-99. http://dx.doi.org/10.5539/ijbm.v5n1p98
18. Song, N. (2010). The economic and trade cooperation between ASEAN and the Gulf Cooperation Council. *Journal of Middle Eastern and Islamic Studies (in Asia), 4*(4), 94-95. https://doi.org/10.1080/19370679.2010.12023169
19. Sevilla, H. A. (2011). Re-constructing the political mindset of the Persian Gulf security. *International Journal of West Asian Studies, 3*(1), 49-66. https://doi.org/10.5895/ijwas.2011.03
20. Sajedi, A. (2009, Summer). Geopolitics of the Persian Gulf security: Iran and the United States. *IPRI Journal, 9*(2).

21. Abdullah, A. (2010, September). Contemporary sociopolitical issues: Development of the Arab Gulf moment. *Kuwait Programme on Governance and Globalisation in the Gulf States*. https://eprints.lse.ac.uk/55523/
22. Al Makhawi, R. (1990). The Gulf Cooperation Council: A study of integration. *International Studies Unit, University of Salford*.
23. Antoniades, A. (2011, January). The Gulf monetary union. https://faculty.georgetown.edu/aa658/research_files/Antoniades%20The%20Gulf%20Monetary%20Union.pdf
24. CIRS Political Economy of the Gulf Working Group. (2012, May). The monetary union of the Gulf Cooperation Council and structural changes in the global economy: Aspiration, challenge, and long-term strategic benefits. *Arab Center for Research and Policy Studies.*
25. Babar, Z. R. (2011). Free mobility within the Gulf Cooperation Council (Occasional Paper). Center for International and Regional Studies, Georgetown University School of Foreign Service in Qatar.
26. Lawson, F. H. (2012). Transformations of regional economic governance in the Gulf Cooperation Council. Center for International and Regional Studies, Georgetown University School of Foreign Service in Qatar.
27. Hwang, K. D. (2006). Theorising politico-security regionalism (Doctoral dissertation). *University of Pretoria*.
28. Kotiuga, W. W. The power of regional interconnections. Paper presented at Session on Issue 1.7: Energy supply bottleneck, Montreal, Canada. 1-11. https://www.osti.gov/etdeweb/servlets/purl/21396855
29. Oteng Kufuor, K. (2010, May). The economic agreement between the Gulf Countries Council. In *Economic integration in developing countries*. University of Birmingham. http://www.b-ham.ac.uk
30. Ombaerde De, P., Söderbaum, F., et al. (2009, April). The problem of comparison in comparative regionalism. *Miami-Florida European Union Center, Jean Monnet Chair Staff, 9*(7), 8.
31. Mirus, R., & Rylska, N. (2010). Economic integration: Free trade areas vs. customs unions. Western Centre for Economic Research.
32. Serhal, C. M. (2010). Arab economic integration: Between regionalism and globalization. American University of Beirut. http://hdl.handle.net/10938/8478
33. OIC. (n.d.). Enhancing economy and commercial cooperation among OIC member countries. http://www.comcec.org
34. Popescu, M. M., & Mustafa, S. (2001, April). The Gulf monetary unification: Opportunities and challenges. *Arab Bank Review, 3*(1), 28-29.
35. Alasfoor, R. (2007). *The Gulf Cooperation Council: Its nature and achievements – A political analysis of regional integration of the GCC states 1979–2004*. Lund University, Department of Political Science. http://www.svet.lu.se/lps/lps.html
36. Rouhi Dehboneh, M. (2011). New approach to reasons for disintegration of Iran and Persian Gulf Cooperation Council. *European Journal of Social Sciences, 24*, *157*.
37. Rettab, B., & Istaitieh, A. (2007). GCC economic integration in focus with special reference to the UAE. *DCCI – Data Management & Business Research Department*. http://www.dcci.ae
38. Sturm, M., & Siegfried, N. (2005, June). Regional monetary integration in the member states of the Gulf Cooperation Council (Occasional Paper No. 31). European Central Bank.
39. Sturm, M., & Siegfried, N. (2008, July). The Gulf Cooperation Council countries' economic structures: Recent developments and role in the global economy (Occasional Paper No. 92). European Central Bank.
40. Shediac, R., Abouchakraet, R., et al. (2011). Economic diversification: The road to sustainable development. Booz & Company Inc.
41. Sparrow, F. T., et al. (2003, October). The Gulf Cooperation Council and economic integrated electricity planning, 2003–2015. Purdue University, West Lafayette, IN, USA.
42. Middle East Economic Digest (MEED). (2013). Statistics and reports. http://www.meed.com
43. Al Khater, K. (2012). *The monetary union of the Gulf Cooperation Council and structural changes in the global economy: Aspirations, challenges, and strategic choices*. Arab Center for

Research and Policy Studies. https://www.dohainstitute.org/en/lists/ACRPS-PDFDocumentLibrary/The_Monetary_Union_of_the_Gulf_Cooperation_Council_and_Structural_Changes_in_the_Global_Economy_Aspirations_Challenges_and.pdf
44. Antoniades, A. (2011). *Producing globalisation: Politics of discourse and institutions in Greece and Ireland*. Manchester University Press.
45. De Lombaerde, P. (Ed.). (2009). *The regional integration manual: Quantitative and qualitative methods*. Routledge.
46. Drastichová, M. (2009). Current and future monetary cooperation with a focus on the possible monetary union of Gulf Cooperation Council. In L. Á. Kóczy (Ed.), *Proceedings of FIKUSZ '09* (pp. 57–69). Óbuda University, Keleti Faculty of Business and Management. https://ideas.repec.org/h/pkk/sfyr09/57-69.html
47. International Monetary Fund. (2025). *Fiscal monitor: Fiscal policy under uncertainty*. IMF. https://www.imf.org/en/Publications/FM/Issues/2025/04/23/fiscal-monitor-April-2025
48. Rylska, N. L., & Mirus, R. K. (2004). *Alberta benefits: Northern gas pipeline development*. Western Centre for Economic Research, University of Alberta for Alberta Economic Development.
49. World Bank. (2010). *Gulf Cooperation Council (GCC) power sector: Regional investment opportunities and challenges*. Energy Sector Management Assistance Program (ESMAP). https://documents1.worldbank.org/curated/en/739751468162270596/pdf/773070v50ESMAP0BLIC00Gulf0Countries.pdf