

## Requirements for Economic Convergence of the Gulf Cooperation Council Monetary Union (A Econometric Study for the Period 2005-2022)"

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**Summary:** The paper examined the economic convergence of the Gulf Co-operation Council rates in preparation for monetary union. It discussed the economic feasibility of integration of financial institutions when they operate under the umbrella of conglomerate group of international markets.. The study aimed at developing a model explaining the requirements and the foundations of integration between financial institutions to help lay the foundations for times to achieve integration. Descriptive and standard analysis (using E- views) methods were used in the analysis of data. Findings indicated that the lack of some monetary and fiscal policies currently in place in the GCC countries makes it difficult to conduct analytical studies and provide the necessary economic and monetary indicators for the establishment of a monetary union on a solid foundation, where the only obstacle relates to the national sovereignty. Recommendations included the GCC need to speed up the implementation of the Board of Governors recommendations on criteria of economic performance convergence, to establish a central bank for monetary union, to give priority to economic interests rather than to political differences and to call for the formulation of an integrated Arab vision to protect the rights of Arabs and their money from international financial crisis. The researcher recommends following the standard studies in such researches to predict the values of explanatory variables in the long run in order to reach a mechanism to serve the Arab countries in terms of integration.

**Keywords:** Economic integration – monetary Union - economic convergence rates- Gulf Cooperation Council

**Jel Classification Codes :** Q5; I3; I1; I11; C39.

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## **I-Introduction:**

In recent years, there has been an increasing interest in the integration and development of financial institutions among Arab countries. Therefore, discussing the fundamentals of integration, based on the experience of the Gulf Cooperation Council (GCC) as a regional bloc, becomes essential. This study aims to analyze the benefits derived from this integration, given the scarcity of studies and the lack of necessary data from Arab countries, alongside the lack of transparency in data presentation. This research may contribute by introducing statistical and econometric methods to forecast economic convergence rates as a measure for achieving financial and monetary integration. The research community encompassed the financial and monetary markets of GCC countries, which have proven successful, using the E-views statistical analysis program to analyze financial and monetary convergence rates over time, from 2005 to 2023. This study could benefit researchers in international economics and international institutions such as the Arab League.

### **I.1. Research Problem**

The research problem addresses the following questions:

1. What is the economic feasibility of integrating Gulf financial markets when operating under an international market bloc?
2. What policies can be used to influence economic convergence rates toward achieving full monetary union?

### **I.2. Research Hypotheses**

1. Hypothesis 1: Financial and monetary economic integration affects the ability of countries to face globalization challenges and keep pace with current economic developments.
2. Hypothesis 2: The GCC integration experience serves as a basis for forming economically viable regional blocs.
3. Hypothesis 3: Enhancing integration among Gulf financial markets requires expanding the scope of financial markets to include the entire GCC region.

### **I.3. Importance of the Study**

1. **Scientific Importance:** The study highlights the strength of financial and banking system integration and the importance of coordination between financial institutions and economic policies.
2. **Practical Importance:** The application of econometric methods and computerized programs enables most countries pursuing symbolic integration to establish institutional frameworks for absorbing integration over time

### **I.4. Research Objectives**

-The objectives of this study are as follows:

1. To evaluate the strength or weakness of the anticipated integration between the financial and banking markets of the Gulf countries and assess the impact of economic policies under the GCC.

To develop a model explaining the requirements and foundations for integration between financial and banking markets in the Arab world in the context of globalization and financial liberalization,

aiming to establish guidelines for overcoming the lack of integration and contribute to the foundations of Arab economic integration

## **II-Literature Review and Theoretical framework of the study**

### **II.1. Literature Review**

**Previous Studies** To the researcher's knowledge, the topic of financial institution integration has been addressed in the following works:

1. **Rachid Bouksani**, "Obstacles of Arab Stock Markets and Ways to Activate Them," PhD thesis, Financial Economics, Algeria, 2006: This study highlighted that Arab stock exchanges remain underdeveloped and do not perform as required, identifying key requirements for establishing effective stock markets. The study concluded that the underdevelopment is due to the nascent state of Arab stock exchanges.
2. **Houadef Aisha**, "Liberalization of Capital Movements and Adaptation of the Arab Financial Sector," Master's thesis, Blida, 2004: The research explored the adequacy of financial institutions, concluding that disparities in policies hindered the linkage between stock exchanges in Tunisia, Algeria, and Morocco.
3. **Walid Ahmed Al-Safi**, "Arab Financial Markets: Reality and Prospects," PhD thesis, Financial Economics, Algeria, 2003: This research examined whether financial integration among Arab countries is achievable and the feasibility of establishing an Arab stock market, concluding that significant obstacles hinder the linkage between Arab stock exchanges.

## **III- Methodology**

To validate the study's hypotheses, the researcher adopted the descriptive-analytical and econometric methodologies, using the E-views statistical analysis program.

### **Study Boundaries**

- **Geographical Boundaries:** GCC countries
- **Temporal Boundaries:** The period from 2005 to 2023 (selected to cover changes from the inception of the GCC union in the 1980s to the monetary union's activation in 2012, extending through 2023 to account for significant developments in the GCC region).

### **Evaluation of the Experience of Financial and Monetary Market Integration in the GCC States**

The Gulf Cooperation Council (GCC) countries have made significant and noteworthy strides in economic and monetary integration, showcasing one of the most important integration experiences in the world. Although this experience mirrors the steps taken by the European Union, there are unique features that distinguish this model, such as shared language, religion, and history. The GCC countries also share many economic characteristics, with oil wealth accounting for two-thirds

of their total GDP, as well as three-quarters of government revenues and annual exports<sup>1</sup>. The economic integration journey began with the signing of the Unified Economic Agreement.

The GCC possesses considerable capabilities and numerous common factors that enable it to act on the global stage as an integrated economic, political, and cultural bloc. Although current integration processes are progressing slowly for various reasons, local, regional, and global developments necessitate action from all countries, including the GCC. The presence of alliances in the Middle East and positive changes within the GCC states presents them with historic opportunities to secure a prominent position globally amid evolving international relations.

It is noteworthy that integration initiatives among the GCC states are generally incomplete. For instance, projects are launched without ensuring the fulfillment of essential prerequisites. The launch of the GCC Monetary Union project occurred without verifying the integration of financial markets within member states, which would ensure efficient implementation of a unified monetary policy

A clear step toward financial integration is the monetary union, which involves a unified monetary policy and a single currency within a single economic bloc. This union encompasses various variables and major challenges related to monetary integration, including macro-level issues linked to monetary policy, micro-level issues within economic units in the union, and cross-national concerns involving trade with non-member states.

The Supreme Council approved a timeline for the establishment of the monetary union in December 2001. The plan stipulated the use of the US dollar as a common peg for GCC currencies by the end of 2002, which was implemented by all member states as scheduled. The program also required agreement on economic performance convergence criteria related to monetary and financial stability by the end of 2005, to pave the way for the launch of a unified GCC currency. The 2001 Economic Agreement stated: To achieve monetary and economic union among the GCC states, including a unified currency, member states shall meet specific requirements within a defined timeframe, achieving a high level of convergence in all economic policies, particularly fiscal and monetary policies, banking regulations, and criteria for approximating economic performance rates crucial for financial and monetary stability

Committees within the GCC worked on implementing these requirements, studying economic convergence criteria, defining components, calculation methods, acceptable limits, and ratios through research by member states and the General Secretariat, drawing on studies by the European Central Bank and the IMF. A specialized unit for monetary union studies was established within the Secretariat to aid preparations, conduct research, and facilitate continuous work toward launching the unified GCC currency. The following convergence criteria were approved by the Supreme Council in December 2005 .

1. Monetary convergence criteria include inflation rates, interest rates, and the adequacy of foreign exchange reserves.
2. Fiscal convergence criteria include the annual budget deficit relative to GDP and the public debt-to-GDP ratio.

The specific criteria for economic convergence within the GCC monetary union were as follows:

- Inflation rates should not exceed 2% above the weighted average inflation rate of the GCC states.
- Short-term interest rates should not exceed 2% above the average of the lowest three rates.
- Foreign exchange reserves should cover at least four months of imports.
- The annual budget deficit should not exceed 3% of total GDP.
- Public debt should not exceed 60% of the total GDP for the general government and 70% for the central government.
- GCC currencies should maintain a fixed exchange rate against the US dollar.

The Committee of Governors discussed calculation methods and criteria for economic convergence, determining maximum allowable deficits and debt ratios, and proposed the structure for a shared monetary authority tasked with issuing the unified GCC currency and managing a collective monetary policy. In 2007, agreements were reached on the legislative and regulatory framework for a joint monetary authority (a monetary council to evolve into a central GCC bank), its functions, and its relationship with national monetary authorities. The specifications, name, and issuance method for the unified currency were also agreed upon.

Despite the relatively stable exchange rates of GCC currencies during the 1980s and 1990s, establishing a monetary union and issuing a unified currency represents an advanced stage of integration, typically preceded by other stages according to economic theory. By the late 1990s, the GCC had made progress in customs union efforts and, inspired by the Euro's success and a shared goal to strengthen regional economic cooperation, the Supreme Council decided in December 2000 in Bahrain to adopt the US dollar as a common peg for member states' currencies and directed the formulation of a timeline for the monetary union and unified currency issuance.

The researcher believes that monetary integration is more of a political issue than an economic one, driven by political motives and obstacles, requiring political will as a prerequisite. A unified currency would enhance economic cohesion and enable the GCC to face globalization challenges effectively. Establishing the monetary union would create a unified and strong financial market, facilitating a more prominent and impactful global economic role. This integration is critical for future regional growth, paving the way for political and economic unity, harmonizing monetary policies, and boosting financial stability.

Since its founding in 1981, the GCC has been pivotal in fostering economic prosperity, facilitating cooperation both within the region and with the external world, leading to milestones such as the 2003 customs union and the 2008 common market, laying the groundwork for the eventual monetary union.

However, the path to the GCC monetary union faced challenges:

- The withdrawal of one of the six states, Oman.
- Kuwait's decision to de-peg its currency from the US dollar.
- No final decision on the location of the central bank.
- Insufficient preparation time for the 2010 deadline.
- Lack of coordination between regional central banks and governments during financial crises.

There are reasons that initially delayed the use of a unified currency among the Gulf Cooperation Council (GCC) countries. Some nations expressed reservations about joining the monetary union due to a lack of confidence in the success of the new Gulf currency. However, the desired economic integration among these countries lacks a unified currency, which prompted the GCC to develop a program to achieve this goal. The first phase began in 2002, when the US dollar was adopted as a common peg for the GCC currencies. This was followed by the second phase, during which agreement was reached on economic performance standards for the member states, defining the entity responsible for issuing the unified currency and managing unified monetary policies. In 2007, an agreement was reached on the name, denominations, specifications, issuance method, and exchange rate mechanism of the unified currency, with the final phase planned for 2010 to launch the anticipated currency. The positive aspect of this step was that it would have led to the formation of a single Gulf market

The Gulf dream of uniting the six flags on a single banknote seemed within reach, especially as the favorable economic conditions in the region necessitated faster progress on such an initiative. Opinions among Gulf bankers and economists about the monetary union varied. Opponents or skeptics argued that the achievements of the GCC were still modest and did not justify a monetary union with significant implications, requiring the implementation of several steps. Proponents, however, believed that the time was ripe for launching the Gulf monetary union in light of the challenges facing the GCC. They argued that adopting a unified Gulf currency would have numerous advantages, positively impacting the Gulf economies and citizens. The unified currency would eliminate the need for currency exchange when moving between GCC countries, facilitating greater freedom of movement for individuals and encouraging intra-GCC trade and tourism. Additionally, the unified currency would position the member states as a single economic bloc with significant influence when facing global economic alliances, such as the European Union, which would need to reconsider its economic relations with the Gulf region.

Gulf states should learn from the European experience in adopting a unified currency and strive to avoid the challenges faced by the euro. It is anticipated that the Gulf unified currency, if adopted, would face various obstacles, including currency risk and maintaining its value, as seen with the euro. One of the prominent disadvantages of a unified Gulf currency would be the loss of national identity, as each state's currency symbolizes its culture, identity, and traditions. Oman's reservations about the unified currency likely stemmed from this perspective, as the country wished to preserve its unique identity. Nonetheless, shared factors among Gulf states, such as customs, language, and religion, make achieving a unified currency feasible. The most critical point is that a unified currency cannot be achieved without harmonizing financial and banking policies among GCC states. Surrendering local currencies is a significant political step, as local currencies are integral to national sovereignty. A unified currency would result in the loss of control over monetary policies and the dissolution of national central banks in favor of a shared central bank. Some GCC countries have rejected the unified currency if it replaces local currencies, citing the political ramifications of such replacement. Thus, one of the primary conditions for the success of the Gulf unified currency is its coexistence with local currencies to avoid disputes over the political implications of a single common currency.

From this perspective, the researcher identifies the following key obstacles:

1. Political Obstacle: The presence of political will to establish a unified currency would facilitate the transition and its stability. Most GCC countries have shown a political desire to create a unified currency, as evidenced by the agreement on a unified customs tariff,

which indicates the possibility of consensus on a unified currency and financial policy, though this would take time.

2. Coordination-Related Obstacle: Agreement on a unified financial policy objective is necessary, such as setting a specific inflation rate or a stable exchange rate level between the unified Gulf currency and major currencies like the dollar or euro. This also requires a single measure for all states to assess price levels and inflation.

Concerns over the potential failure of the unified Gulf currency or even financial union, citing the non-uniformity of member states in terms of economy size, land area, and population—especially when comparing Saudi Arabia with smaller Gulf emirates—are unfounded. The focus should be on economic size rather than land area or population, as the inclusion of Saudi Arabia in the GCC provides numerous advantages, akin to Germany's role in the EU. The GCC should avoid repeating the EU's mistake of granting equal voting rights to all member states regardless of economic size. The EU erred by not giving Germany its due weight, granting it a single vote equal to that of Luxembourg, the EU's smallest member. The success of the Gulf currency requires a unified central bank with voting rights allocated based on economic size, adjusting these votes as the relative economic weights change over time. Allocating votes according to economic size would help define and sometimes limit the role of larger states for the benefit of smaller states. Failing to do so could result in larger states influencing union policies unpredictably and inconsistently.

The Gulf Monetary Union was initially planned to launch according to the December 2001 schedule. However, few in the region (and even fewer outside it) seem aware of the challenges and opportunities that such a historic initiative entails. Should the unified GCC currency materialize, it would mark a historic milestone for the business and financial world in the region and globally.

Despite the missed 2010 deadline for the Gulf monetary union, economic leaders remain at the same point, and public opinion remains skeptical about the unified currency's prospects. Except for certain circles, the completion of the union is virtually absent in the GCC region. It is worth recalling that experts remained doubtful about the European monetary union's realization until a few months before the euro's launch. They were proven wrong, and the current negative outlook must change significantly for the project to come to fruition.

One major hurdle to establishing a Gulf central bank has been the lack of consensus on its institutional framework. Implementation remains primarily a matter of political will. It is currently unclear whether monetary policy management will mirror the European Central Bank or involve decisions made by meetings of central bank governors and national monetary authorities or through specific voting rules or consensus. Voting rights are likely to be debated during the preparatory phase. The researcher believes it would be preferable to establish a Gulf central bank under an executive council led by a respected figure, with central bank governors and national monetary authorities joining the executive council to form the monetary policy committee—the main decision-making body for the Gulf monetary union. Voting rights could be distributed based on GDP size or an index of economic indicators (GDP, population, trade, market value), with a 20% share reserved for the executive council.

The current uncertainty could pose an obstacle to the unified currency and lead to challenges in future monetary policy management. A unified GCC currency capable of asserting itself globally requires effective decision-making processes and continuous engagement with market participants, investors, and the public. Addressing prevailing doubts by making progress in the preparatory phase and demonstrating strong political commitment to the end goal is essential. Announcing the

establishment of the Gulf central bank and moving quickly in this direction would signal clear commitment from the authorities and set a clear course for markets, investors, and citizens. This step would form a foundation for increased economic integration and provide a strong impetus for the emerging Gulf capital markets. Establishing a monetary union within the GCC would be a key factor in helping member states face the challenges posed by globalization and current global financial disruptions and play a stronger, more influential role in the new global economic environment. Missing such a historic opportunity would be regrettable, as the world's economic geography is shifting, with emerging market economies playing a greater role. This change will manifest as a new global financial geography, and the presence of a Gulf central bank would reinforce this emerging financial geography and bolster the new global standing of the GCC.

### 1) Descriptive Statistical Analysis of Study Variables

The study employed descriptive statistical analysis in the initial phase of data analysis to describe and analyze the variables of the study over the measurement period (2005-2023). This analysis utilized the mean, standard deviation, and range to determine the maximum and minimum values, as well as the skewness coefficient to identify the distribution shape of the data. Below are the results of the descriptive analysis of the study variables.

Observations from the Table:

1. The highest GDP level among the GCC countries during the study period was recorded by Saudi Arabia, followed by the UAE, while the lowest GDP level was recorded by Bahrain.
2. The highest budget surplus or deficit among the GCC countries during the study period was recorded by Saudi Arabia, followed by Kuwait, while the lowest was recorded by Bahrain.
3. The highest budget surplus or deficit to GDP ratio among the GCC countries during the study period was recorded by Kuwait, followed by Saudi Arabia, while the lowest ratio was recorded by Bahrain.
4. The highest local liquidity growth rate among the GCC countries during the study period was recorded by Qatar, followed by the UAE, while the lowest was recorded by Kuwait.
5. The highest trade balance to GDP ratio among the GCC countries during the study period was recorded by Qatar, followed by Kuwait, while the lowest was recorded by Bahrain.
6. The highest official reserves coverage of imports among the GCC countries during the study period was recorded by Saudi Arabia, followed by Kuwait, while the lowest was recorded by the UAE.
7. The highest exchange rate against the dollar among the GCC countries during the study period was recorded by Kuwait, followed by Oman, while the lowest was recorded by Saudi Arabia.

### General Trend of Study Variables

The study utilized the general trend equation model to analyze the time series of the study variables to measure the general trend of these variables during the period (2005-2023). This model was expressed using a simple linear regression equation as follows:

$$Y = a + bt$$

- Y: Dependent variable
- t: Time variable (independent variable)

- a: Constant coefficient, representing the value of Y when the value of b is zero.
- b: Regression coefficient between time (t) and the dependent variable (Y).

This model was applied using the econometric analysis program (E.Views) to identify the movement of the general trend over time for all variables during the study period. The following results were obtained:

First: The General Trend Equation for the Gross Domestic Product (GDP) Variable

Table 2 Results Summary:

1. There is an effect of the independent variable (time) on the GDP variable for all Gulf Cooperation Council (GCC) countries, with the coefficient of determination being 93% for the UAE, 94% for Bahrain, 90% for Kuwait, 93% for Oman, 90% for Qatar, and 95% for Saudi Arabia.
2. The simple regression model is significant between the dependent variable (GDP) and the independent variable (time) according to the T-test at a 5% significance level, where the T values for the regression coefficient were below the 5% significance threshold for all countries. This result indicates a statistically significant relationship between time and GDP for all GCC countries during the study period.
3. The regression coefficients were positive for all countries, indicating that the GDP of the GCC countries increased over time during the study period.

Second: The General Trend Equation for the Budget Deficit or Surplus Variable

Findings from Table (3) are as follows:

1. The independent variable (time) has an effect on the dependent variable (budget deficit or surplus) for all GCC countries. The coefficient of determination was 39% for the UAE, 28% for Bahrain, 38% for Kuwait, 1% for Oman, 60% for Qatar, and 32% for Saudi Arabia.
2. The analysis results indicate that the simple regression model is significant between the dependent variable (budget deficit or surplus) and the independent variable (time) according to the T-test at a significance level of 5%. The T-values for the regression coefficient showed a significance level below 5% for all countries except Oman. This result indicates a statistically significant relationship between time and budget deficit or surplus for all GCC countries except Oman during the study period.
3. The regression coefficients were positive for all countries except Oman. This positive sign indicates that the budget deficit or surplus in GCC countries increased over time during the study period.

Third: The General Trend Equation for the Budget Deficit or Surplus as a Percentage of GDP

Findings from Table (4) are as follows:

1. The independent variable (time) has a weak effect on the dependent variable (budget deficit or surplus as a percentage of GDP) for all GCC countries. The coefficient of determination was 7% for the UAE, 6% for Bahrain, 3% for Kuwait, 35% for Oman, 2% for Qatar, and 3% for Saudi Arabia.

2. The analysis results show that the simple regression model is not significant between the dependent variable (budget deficit or surplus as a percentage of GDP for all GCC countries) and the independent variable (time), except for Oman, according to the T-test at a 5% significance level. The T-values for the regression coefficient showed a significance level greater than 5% for all countries except Oman, where the significance level was below 5%. This result indicates the absence of a statistically significant relationship between time and the budget deficit or surplus as a percentage of GDP for all GCC countries during the study period, except for Oman.
3. The regression coefficients were negative for all countries. This negative sign indicates that the budget deficit or surplus as a percentage of GDP for GCC countries decreased over time during the study period.

#### Fourth: The General Trend Equation for the Growth Rates of Local Liquidity

##### Table (5) Analysis:

1. The table shows that there is an effect of the independent variable (time) on the growth rate of local liquidity for all GCC countries, with the coefficient of determination for the UAE at 12%, Bahrain at 2%, Kuwait at 29%, Oman at 26%, Qatar at 28%, and Saudi Arabia at 38%.
2. The results indicate that the simple regression model is significant between the dependent variable (local liquidity growth rate) and the independent variable (time) according to the T-test at a 5% significance level. The T values for the regression coefficient are significant at less than 5% for all countries except Bahrain. This result implies a statistically significant relationship between time and local liquidity growth rate for all GCC countries during the study period (except Bahrain).
3. The regression coefficients for all countries are positive, indicating that local liquidity growth rates in the GCC countries increased over time during the study period.

#### Fifth: The General Trend Equation for Trade Balance Surplus

##### Table (6) Analysis:

1. The table shows that the independent variable (time) affects the trade balance surplus for all GCC countries, with the coefficient of determination for the UAE at 4%, Bahrain at 46%, Kuwait at 60%, Oman at 41%, Qatar at 43%, and Saudi Arabia at 11%.
2. The simple regression model is significant between the dependent variable (trade balance surplus) and the independent variable (time) according to the T-test at a 5% significance level. The T values for the regression coefficient are significant at less than 5% for all countries except the UAE. This result indicates a statistically significant relationship between time and the trade balance surplus for all GCC countries during the study period (except the UAE).
3. The regression coefficients are positive for all countries except the UAE, indicating that the trade balance surplus increased over time during the study period for the GCC countries (except the UAE).

#### Sixth: The General Trend Equation for the Ratio of Official Foreign Reserves Coverage of Imports

##### Table (7) Analysis:

- 1) The independent variable (time) affects the general trend equation for the coverage of imports by official foreign reserves for all GCC countries. The coefficient of determination for the UAE is 31%, Bahrain 10%, Kuwait 52%, Oman 10%, Qatar 27%, and Saudi Arabia 63%.
- 2) The simple regression model is significant between the dependent variable (coverage of imports by official foreign reserves) and the independent variable (time) according to the T-test at a 5% significance level. The T values for the regression coefficient are significant at less than 5% for all countries except Bahrain and Oman. This result indicates a statistically significant relationship between time and the coverage of imports by official foreign reserves for the GCC countries during the study period (except Bahrain and Oman).

The regression coefficients are positive for all countries except the UAE and Bahrain. The positive sign indicates that the coverage of imports by official foreign reserves increased over time during the study period for the GCC countries (except the UAE and Bahrain).

#### **IV- Results and discussion**

- 1: The authorities in the GCC countries should expedite the implementation of the governors' recommendations related to performance convergence criteria and the establishment of a central bank for the monetary union.
- 2: There is a need for greater coordination between financial and banking institutions and conducting studies that define the commitments each member state must fulfill.
- 3: It is essential to prioritize economic interests over political disagreements and learn from the experiences of countries that have achieved advanced stages of economic integration.
- 4: There is a need to follow empirical studies in such research to predict the values of explanatory variables in the long term.

#### **V-Conclusion:**

The establishment of a monetary union in the Gulf Cooperation Council (GCC) will be one of the key factors that help the member states face the challenges posed by globalization and the current global financial disruptions. It will also enable them to play a stronger role and have a more influential voice in the new global economic environment. It would be unwise to miss such a historical opportunity. This change will manifest as a new global financial geography, and the creation of the Gulf Central Bank will strengthen this emerging geography and solidify the new global standing of the GCC states.

Through the study, the researcher reached the following conclusions:

- 1: The lack of alignment between some of the current monetary and financial policies in the GCC countries makes it difficult to conduct analytical studies and provide the necessary economic and monetary indicators for establishing a monetary union on a solid basis.
- 2: The use of a single currency by the GCC countries will enhance the formation of a strong economic bloc that keeps pace with the accelerating global economic developments.

3: There are no significant economic obstacles; all indicators are positive, except for one political obstacle concerning national sovereignty.

**- Appendices:**

Table 1: Descriptive Statistical Analysis of Study Variables for the Period (2005-2023)

Economic Indicators of the GCC Countries	Mean	Standard Deviation	Maximum	Minimum	Skewness Coefficient
GDP	81,270.8	71,269.3	263,229.5	20,231.8	1.30
Budget Surplus/Deficit	8,562.9	8,339.5	42,359.6	932.7	1.57
Budget Surplus/Deficit to GDP Ratio	10.2	11.7	56.5	1.7	1.27
Local Liquidity Growth Rate	10.9	7.17	31.9	2.18	1.38
Trade Balance to GDP Ratio	20.5	8.7	37.6	4.5	0.13
Official Reserves Coverage of Imports	8.4	5.13	19.1	2.7	0.783
Exchange Rate Against the Dollar	1.13	0.065	1.13	1.11	0.262

Source: E.Views software analysis using data from the Unified Arab Economic Report (2005-2022)

Table 2: Results of the general trend analysis for the GDP variable for the period (2005-2023)

Economic Indicators of the GCC Countries	Mean	Standard Deviation	Maximum	Minimum
GDP	81,270.8	71,269.3	263,229.5	20,231.8
Budget Surplus/Deficit	8,562.9	8,339.5	42,359.6	932.7
Budget Surplus/Deficit to GDP Ratio	10.2	11.7	56.5	1.7
Local Liquidity Growth Rate	10.9	7.17	31.9	2.18
Trade Balance to GDP Ratio	20.5	8.7	37.6	4.5
Official Reserves Coverage of Imports	8.4	5.13	19.1	2.7

Source: Prepared by the researcher based on E.Views results, using data from the Unified Arab Economic Report for the years (2005-2022)

Table 3: Results of the general trend analysis for the budget deficit or surplus variable for the period (2005-2023)

Country	Coefficient of Determination	Regression Coefficient B	T-Test	Significance
UAE	0.39	0.09	4.04	0.0004
Bahrain	0.28	0.24	3.16	0.003
Kuwait	0.38	0.08	4.06	0.004
Oman	0.01	-0.01	-0.631	0.533
Qatar	0.60	0.13	6.34	0.0000
Saudi Arabia	0.32	0.07	3.48	0.0018

Source: Prepared by the researcher based on the results of E.Views program, utilizing data from the Unified Arab Economic Report (2005-2022)

Table (4): Results of the General Trend Analysis for the Budget Deficit or Surplus as a Percentage of GDP (2005-2023)

Country	Coefficient of Determination	Regression Coefficient B	T-Test	Significance
UAE	0.07	-0.14	-1.42	0.162
Bahrain	0.06	-0.06	-1.34	0.190
Kuwait	0.03	-0.94	-0.91	0.369
Oman	0.35	-0.37	-3.71	0.0010
Qatar	0.02	-0.11	-0.735	0.468
Saudi Arabia	0.03	-0.16	-0.872	0.390

Source: Prepared by the researcher based on the results of E.Views program, utilizing data from the Unified Arab Economic Report (2005-2022)

Table (5): Results of the General Trend Analysis for the Growth Rates of Local Liquidity (2005-2023)

Country	Coefficient of Determination	Regression Coefficient B	T-Test	Significance
UAE	0.12	0.44	2.79	0.045
Bahrain	0.02	0.01	0.661	0.514
Kuwait	0.29	0.41	3.12	0.004
Oman	0.26	0.45	2.91	0.0076
Qatar	0.28	0.77	3.03	0.005
Saudi Arabia	0.38	0.48	3.85	0.0008

Source: Prepared by the researcher using the results from E.Views software, based on data from the Unified Arab Economic Report (2005-2022).

Table (6): Results of the General Trend Analysis for Trade Balance Surplus (2005-2023)

Country	Coefficient of Determination	Regression Coefficient B	T-Test	Significance
UAE	0.04	-0.05	-0.315	0.754
Bahrain	0.46	0.63	4.48	0.0000
Kuwait	0.60	1.29	5.96	0.0000
Oman	0.41	0.73	4.04	0.0005
Qatar	0.43	1.11	4.22	0.0003
Saudi Arabia	0.11	10.04	3.72	0.0011

Source: Prepared by the researcher using the results from E.Views software, based on data from the Unified Arab Economic Report (2005-2023).

Table (7): Results of the General Trend Analysis for the Coverage of Imports by Official Foreign Reserves (2005-2023)

Country	Coefficient of Determination	Regression Coefficient B	T-Test	Significance
UAE	0.31	-0.11	-3.28	0.0032
Bahrain	0.10	-0.03	-1.64	0.113
Kuwait	0.52	0.32	5.14	0.0000
Oman	0.10	0.01	1.61	0.118
Qatar	0.27	0.21	2.96	0.006
Saudi Arabia	0.63	2.10	6.35	0.0000

Source: Prepared by the researcher using the results from E.Views software, based on data from the Unified Arab Economic Report (2005-2022).

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