

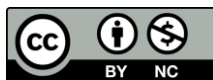
An evaluation of regional convergence of Iran and PGCC

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Article Info	Abstract
<p>Original Article</p> <p>Main Object: Economics Scope: Iran and PGCC</p> <p>Received: 20 January 2024 Revised: 14 March 2024 Accepted: 19 March 2024 Published online: 22 June 2024</p> <p>Keywords: economic integration, regional convergence, trade intensity, Persian Gulf Cooperation Council (PGCC).</p>	<p>The Persian Gulf Cooperation Council (PGCC) has a privileged position in the West Asia and North Africa region both in terms of the degree of economic integration and in terms of the level of income and economic welfare. It is expected that Iran's economic integration with the council will bring great economic benefits. Although the economic integration performance of the council is low in terms of the share of intra-regional trade, it shows a growing trend and with trade creation, it is also associated with an increase in economic homogeneity among members. Although the correspondence of these two indicators with the current economic situation of Iran shows less consistency and based on trade trends in the stage before the exchange of preferences, it has some evidence of trade diversion, but a more dynamic analysis of this trend and looking at other complementary capabilities of these economies, including some of the characteristics of natural business partners can confirm the great economic benefits of the both, which depends on the preparation of necessary measures in this regard.</p>

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Extended Abstract**Background**

The members of the Persian Gulf Cooperation Council have a dynamic and growing position in economic, investment and trade dimensions in the Middle East & North Africa (MENA) region, and the economic convergence of Iran and the Council will bring mutual economic, commercial and non-economic benefits for the members of the Council and Iran.

Aims

In this article, we have sought to find answers to these questions: What was the past performance and perspective of regional integration (intra-regional and extra-regional) of the Council and how is Iran's situation compared to the performance of the members of the Council? During nearly half a century of activity of the council, the trade of members of this group in the framework of convergence literature is subject to the effect of creating trade or the effect of trade diversion? The main goal of the article is to evaluate the efficiency and success of the economic convergence of the Council, especially the perspective of the regional integration of Iran and the Council.

Methods

Two important indicators of economic and commercial convergence, namely "homogeneity of economic indicators" and "degree of trade convergence", have been measured and evaluated for the members of the Council and Iran during the period from 2001 to 2021.

Results

The study of the economic integration of Iran and the members of the Persian Gulf Cooperation Council between 2000 and 2021 shows:

Among the members of the Council, the range of per capita income in some countries has remained unchanged, in some it has decreased and in some it has been increasing, but basically the gap in per capita income between the members has decreased. The council has been successful in terms of homogenization of per capita income and the process of homogenization of per capita income among the members. Of course, increasing the per capita income of council members is basically affected by the fundamental factors of their growth and development. By the way, the economic and commercial policies of the Council have not played a serious and important role.

The growth rate of the Council's exports is higher than the growth rate of the global exports, and the share of the Council's exports in the world exports has improved in 2010 and 2021. The trade intensity index (exports) in the Council has increased from 1.596 units in 2001 to 1.720 and 2.371 units in 2010 and 2021 respectively. The trade intensity index for the base year of 2001 is improving from 100 units

to 107.8 and 148.5 in 2010 and 2021. The increase in the share of intra-regional exports of the Council's global exports, together with the significant increase in the share of the Council's global commodity exports of the world exports, has caused the trade intensity index to increase due to the increase in the share of the Council's intra-regional exports. During the period of increasing the share of intra-regional exports of the council, the index of export intensity in the council has increased.

Although the intra-regional export share of the Council is low and except for a few countries with low trade volume, most of the members' exports are made with extra-regional partners, its trend has been increasing in the last two decades. Therefore, the increase of the Council's share in global exports at the same time as the increase of the Council's intra-regional export share indicates that, at least during the period from 2001 to 2021, the improvement in the intensity of the Council's trade relations has led to the development of its global exports (creating trade). Assuming that other conditions are constant, the increase in the intensity of trade relations due to the increase in intra-regional exports, together with the increase in the share of the Council in global exports, is a sign of trade creation. Despite this, the share of intra-regional exports was low, at least 5.9% at the beginning of the period in 2001 and at most 10.3% in 2020. Between 2000 and 2021, the increase in Iran's trade intensity index did not lead to an increase in Iran's global exports (as a trade diversion).

Conclusion

The most important reason for the non-development of intra-regional trade is the low level of trade development and Iran's weak export structure. In this situation, it is not possible to develop trade, especially intra-regional trade that is dynamic and dynamic. The development of Iran's intra- and extra-regional trade in a general perspective requires the following prerequisites: First, macro-policy reforms for the stability of Iran's macro-economic environment, focusing on sustainable and comprehensive growth and development, and reducing risks, focusing on the inflation rate and controlling non-economic impulses; Second, reforms in Iran's trade policy with the goal of removing non-tariff trade barriers and stabilization along with rationalizing the rate of customs tariffs; Third, the identification of Iran's natural intra- and extra-regional trade partners, in long-term static and dynamic conditions and the perspective of the development of inclusive sustainable trade, especially the development of the export of employment-generating industries, and subsequently knowledge-based; Fourth, the structural changes in Iran's trade in goods and services with the aim of promoting comparative advantage and achieving competitive advantages with the focus on employment-creating and subsequently knowledge-based industries and the

development of various services including financial development and tourism in the region.

Conflict of interest

The authors declared no conflicts of interest.

Authors' contributions

All authors contributed to the original idea, study design.

Ethical considerations

The author has completely considered ethical issues, including informed consent, plagiarism, data fabrication, misconduct, and/or falsification, double publication and/or redundancy, submission, etc.

Data availability

The dataset generated and analyzed during the current study is available from the corresponding author on reasonable request.

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