The Economic Relevance of the Current Exchange Control Regime of Morocco: Morocco can adopt Full Convertibility of the Dirham?

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Abstract

This article has the purpose to analyze the relevance of adopted in Morocco, in view of the proposal of a new exchange controls regime for Morocco. Specifically, this article aims to provide answers to the following question: the exchange control regime in Morocco characterized by convertibility for current transactions and financial transactions of non-residents and inconvertibility for financial transactions of residents is appropriate for the case of the Moroccan economy? Or in other words, Morocco may establish a full convertibility regime of the dirham.

The methodology followed to provide answers to this question will firstly present the criteria determining the choice of exchange control regimes and to make the application of these criteria to the case of the Moroccan economy.

1   Introduction

The economic literature on the exchange control policy has focused on three major themes, namely: the determinants (or supporting) exchange controls, the efficiency of those controls and the optimal sequencing process of exchange controls lifting (also called liberalization Plan of the capital account) [1].

The theme on the economic relevance of the exchange control policy adopted by individual countries has, however, not been the subject of a sufficient number of studies, despite its theoretical and practical importance.

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The theoretical importance of this issue lies in the fact that it transcends the three major topics of the economic literature on the exchange control policies abovementioned, Insofar as the analysis of the economic relevance of exchange control regimes requires (as will be shown below) the knowledge of the exchange controls determinants and the effectiveness of those controls on the one hand and the development of the liberalization plans requires in the first step, establishing a diagnosis of the exchange control regime relevance on the other.

This theoretical importance is also enhanced under the specificity of exchange control policy (and in addition the usefulness of adopting an exchange control system in a given country), compared to other categories of macroeconomic policies, namely fiscal, monetary and external trade policies.

This specificity lies in the fact that the exchange control policy is one of the least understood policies and also the most controversial in the economic policies and frameworks of economic thought schools, insofar as such the pronouncements between the two main currents of economic policy, namely those liberals and those Keynesian remain diametrically opposed and categorical [2].

Indeed, while the Keynesian defends the use of capital controls as a key policy instruments to maintain low interest rates and in add, the development of aggregate demand and promote growth and employment [3], the liberal current considers opposite that capital controls are detrimental to the efficiency of capital markets, the fact that they constitute an obstacle to the capital mobility which remains a necessary condition for the efficiency of such markets [4].

In practical terms, among the 185 IMF member countries, 93 adopt exchange control policies in variable degree of restriction (versus liberalization) requiring therefore provide answers of those policies relevance.

Moreover, the historical analysis of actual choices made by different countries on the exchange control policy requires the distinction between two key periods: the period of the multilateral system of fixed exchange rate "Bretton Woods" and the period after the collapse of Bretton Woods.

During the operation of the BW system, most countries (even developed countries) adopt capital controls policies as an integral part of fixed exchange rates policy, with the consequent weakness of global capital flows [5].

The period after the collapse of BW system and fixed exchange rates policies was marked by a wave of liberalization of the capital account, which was completed in the early 1990s with the opening of the capital account in all developed countries [6].

Along with the opening of the capital account in the advanced economies, emerging and developing countries have made in the late 1990s capital account openings for transactions made by non-residents (incoming capital flows). In terms of capital transactions of residents, the majority of emerging countries still maintain more or less important restrictions of these operations [7].

The exchange control policy in Morocco experienced a similar evolution compared to that in force in emerging countries. Indeed, Morocco has adopted convertibility for current transactions in 1993, opened the capital account of non-residents in 1988 and conducted in 2007 and 2010 to a partial opening of the capital transactions of residents.

This process is part of the "gradual approach" to open the capital account chosen by Morocco raises questions about the economic relevance of the exchange control regime.

This article aims to analyze the economic relevance of the exchange control regime in Morocco, in view of the proposal of a new exchange controls regime for Morocco.

Specifically, this article aims to provide answers to the following question: the exchange control regime in Morocco characterized by convertibility for current transactions and financial transactions of non-residents and inconvertibility for financial transactions of residents is appropriate for the case of the Moroccan economy? Or in other words, Morocco may establish a full convertibility regime of the dirham.

The methodology followed to provide answers to this question will firstly present the criteria determining the choice of exchange control regimes and to make the application of these criteria to the case of the Moroccan economy, secondly.

2   Determinants of the Choice of Exchange Control Regimes

The synthetic analysis of the economic literature on the determinants of exchange control regimes of residents brings out two categories of economic determinants of choice of exchange control regimes, namely:

- a first category might be termed, insofar as these factors can be applied to the two main categories of exchange control regimes, capital controls of residents and those of non-residents [8] ;
- a second category of economic factors called specific determinants, because they are only valid for exchange controls regime applied to residents.

2.1 General Determinants

Analysis of the economic literature on the determinants of exchange control regimes reveals two main general factors, namely, the degree of efficiency in the implementation of the existing exchange control regime and the exchange rate regime.

2.1.1 The degree of efficiency in the implementation of the existing exchange control regime

Assessing the efficiency degree of existing exchange controls devices is an important parameter, to be considered in decision in exchange control regimes [9] (maintenance or removal of exchange controls).

Indeed, if the evaluation shows inefficiency of existing exchange controls devices in one country, it will be recommended for this purpose, the country's interest to accelerate the pace of capital controls liberalization.

This reasoning is part of a cost / benefit approach is the bedrock of any economic policy, especially the exchange control insofar as if a country is unable, for various reasons, to implement an exchange controls regime, it would be better for that country to abolish exchange controls in the aim, firstly to eliminate the economic costs of such a device (budgetary costs of setting up an exchange controls regime, transaction costs for economic operators) and hope to generate any positive effects from the exercise of such a device (return of capital that previously fled the country, the effects of positive announcement etc.) secondly [10].

The evaluation of the effectiveness of capital controls can be understood through several indicators, namely the statistical discrepancy, the importance of authorization requests to the authority in charge of the exchange controls policy, the overall capacity of the administrative apparatus of the country in question, and the type of existing capital

controls (extensive or selective) [11].

However, many economists believe that the results from such evaluation of the exchange controls efficiency based on the above criteria, should be viewed with precaution because of the difficultly quantifiable nature of these criteria, and also the difficulty or almost the impossibility to distinguish the effect of capital controls from the effect of other macroeconomic variables on this efficiency and also that exercise can only be relevant if it is done in a period of significant stress macroeconomic and financial system [12].

2.1.2 The exchange rate regime

The economic relationship between the exchange rate regime and the exchange controls regime has several subtleties that must be well understood in order to better appreciation of the economic relevance of the exchange control regime in force.

Indeed, the establishment of an exchange control regime remains tied to the adoption by countries of a fixed exchange rate adjustable regime (also called exchange rate regime intermediary) [13]

Therefore, the adoption of an exchange controls regime is, in the hierarchy of choices in exchange policies, a subsequent decision on the establishment of an exchange rates intermediate regime made with the objective of enhancing the sustainability of the exchange rate regime and, alongside other policy instruments, including foreign exchange reserves, the interest rate and possibly changing the parity of the national currency [14].

The items listed above serve to highlight the two main following conclusions:

- if a country can secure the support of its exchange rate regime by other instruments of sustainability of fixed adjustable exchange rate regime cited above, that country may abandon its existing exchange controls.
- if a country adopts or has the prerequisite for the adoption of a flexible exchange rates regime, the exchange control regime loses its reason for being, is to say that the country may abandon the scheme and make its currency fully convertible [15].

However, if we consider that the exchange rate regime is an economic policy choice which may be more or less appropriate, the analysis of the relevance of the exchange control regime must be made on the basis of exchange rate regime deemed appropriate and not the existing or the current regime adopted by a country.

In this regard, when the exchange rate regime deemed appropriate for a given country is more flexible than the current adopted, the country will be considered predisposed to abandon the exchange controls regime, given the fact that the country can implement a flexible exchange rates regime.

Therefore, the relationship between the exchange rate regime and the regime of exchange controls is a rather extent relationship and not a categorical relationship, that is to say when a country has the prerequisites for the adoption of a flexible exchange rates regime, that country's interest to relax or to further liberalize its exchange control regime. (without achieving full liberalization of this regime).

This is confirmed by international experience in this field. Indeed, an IMF study showed that countries tend to liberalize capital controls after they move to a more flexible exchange rate but with a time lag. This study also showed that some controls on financial derivatives and commercial banks transactions were liberalized after the introduction of flexibility in the exchange rate and the relaxation of controls on institutional investments and transactions personal assets and certain money market instruments and capital is often adopted with a longer period [16].

Furthermore, the observation of the historical evolution of exchange rate policies at the global level can raise the disappearance of the adjustable fixed exchange rate regime of Bretton Woods was an obvious cause of the capital account liberalization trend recorded in the 1970s, particularly in highly industrialized countries [18].

2.2 Specific Determinants

As noted above, the specific determinants designate the factors behind the establishment of exchange controls regime for the capital transactions of residents.

These factors include, according to the economic literature on this subject, all factors likely to generate a suboptimal financing offer on the domestic capital market [18], can be divided into two categories of drivers, namely the macroeconomic determinants and determinants related to the domestic capital market.

2.2.1 Macroeconomic determinants

Several macroeconomic factors have been identified by the economic literature to justify the establishment of an exchange controls regime. These factors can be summarized by a key macroeconomic variable, namely the level of national savings [19], itself apprehended through three main indicators, namely the current account, the level of foreign exchange reserves and a balanced budget.

This economic relationship between these three indicators and the level of savings can be easily explained by the overall macroeconomic balance equation.

Indeed, putting $Y = C + I + G + X - IM$, where Y is the national income or GDP, C consumption, I is investment, and G government spending, IM imports and exports X can be deduced from this equation the relationship between the above indicators, namely:

$$Y - C - I - G = X - M \tag{1}$$
$$S = CA$$
$$Y - C - G = I + CA \tag{2}$$

This means that an open economy can save either by developing its capital stock (I) or by acquiring foreign assets [20]. These may be owned either by non-financial traders by banks or by the central bank.

Thus, in the context of an exchange intermediary rate regime (fixed adjustable exchange rate), part of the foreign assets consists of foreign exchange reserves held by the central bank. Therefore, the link becomes stronger between the accumulated current account balances (which correspond to an excess of savings relative to investment) and foreign exchange reserves.

$$Y = C + I + G + X - M \tag{3}$$

One can make out of this equality, national saving whether $S = Y - C - G = I + CA$ [21]. (*CA: current account: we assume for the moment that is zero or that the economy is in a closed economy*).

This equation shows that the national savings which must be equal to the investment is made up of private savings (YC) (part of the revenue after tax, whether Y-C-tax) and the

public is – tax-G). So we can say that $S = sp + sg = I + CA$

So when the state runs a budget deficit, this corresponds to (tax-G < 0) a negative dissaving (savings preceded by a minus sign) [22]. Therefore, when an accumulation of deficits recorded by country, this causes a decrease in national wealth resulting then in increased incompressible annual state spending that therefore, all things being equal, lead to other deficits by reducing national saving (because G is characterized by a constant downward rigidity).

Thus, the increase in the public deficit, through its effect on wealth as it has been shown, participate (all things being equal) to the worsening of the weakness of the "structural savings."

2.2.2 The degree of stability of the domestic capital market

The relationship between the degree of stability of the domestic capital market and the exchange controls is the fact that the lower the domestic capital market is stable, the more investors in that country will be motivated to flee the market and this country will therefore interest in setting up a system of exchange controls and vice versa.

The degree of stability of the domestic capital market can be apprehended by the confidence provided by various operators in that market which is determined in turn by the ability of these stakeholders to continue to operate in this market: financial institutions, including banks, continue to fulfill their contractual obligations namely, financial intermediation and the various financial services without interruption and without any support; non-financial agents primarily investors continue to make their investment operations in that market.

The appreciation of the degree of stability of the capital market remains difficult to establish on the basis of exclusive, specific and measurable criteria. However, criteria exist, and can be divided into two categories: those inherent to financial institutions and those determining the confidence of non-financial agents in that market.

Criteria inherent to financial institutions
The criteria for the stability of financial institutions cover all the aspects that determine the quality of the overall governance of financial institutions in a country, especially banks which are considered the key institutions of the capital market in a given country.

These criteria include norms and accounting standards, prudential rules, supervision and the existence of financial safety nets.

Norms and accounting standards obey international standards set by international organizations, namely the Committee of international accounting standards (IASC) [23]. The correct application of these standards by financial institutions plays an important role in the stability of the capital market because they determine the overall quality of information on financial products and financial institutions.

The quality of information above indicated allows in turn the formation of appropriate prices for various financial products participant therefore in maintaining adequate market discipline and overall stability of those markets.

As for the prudential and supervision rules, they can be defined as the set of regulations designed to contain the risks inherent in financial transactions by financial institutions and foster more the financial strength of these institutions. These regulatory provisions include rules relating to certain balance sheet ratios which must themselves be evaluated and ranked (and reserved) according to specific rules.

Financial institutions target by those standards can be divided into two main categories namely those banks and other non-bank institutions such as insurance companies, pension funds, brokerage companies, hedge funds etc [24].

However, special emphasis is placed on the banking institutions which are the "key institutions" of institutions in domestic capital market that, in light of several considerations, in particular their dominant role in the domestic and external financial transactions: lending and receiving internal or cross-border deposit (intermediation -loans and external loans-), loans, and loans to non-residents the public good aspect of services banking system.

In terms of financial safety nets, they refer to the rules and regulations with explicit or implicit government guarantee against losses to investors and that, upon the occurrence of shock or serious malfunctioning of the capital market.

These provisions generally consist of regulations such deposit insurance and guarantee bank support in case of disturbances in the money market through the proclamation of the central bank as lender of last resort play an important role in establishing confidence in the capital market and thus reducing the risk of instability of the capital markets (particularly in response to negative shocks) and financial crises.

Criteria determining the confidence of non-financial sectors in the capital market

The synthetic analysis of studies on the determinants of investment in general in their various forms (direct investments and portfolio investments, deposits etc.) highlights a key determinant, namely the expected return of investment.

The expected rate of return depends on its side on two important factors, namely the interest rate (or the rate of return in the case of direct investment) and the risk of such investment.

However, while interest rates tend to equalize in theory at national and international level, the level of risk remains very different from one country to another. In this regard, several factors more or less interrelations among them are often cited in this context. These are the following:

Country risk also called "sovereign risk" depends on several factors, namely the degree of political stability (political risk of expropriation), the weakness of a country's budgetary position, or security of its financial system [25].

Currency risk which depends on exogenous structural factors and other internal factors related to the quality of macroeconomic policy of a country.

In terms of external factors, they consist in the fact that the international monetary system remains a hierarchical system, in the sense that some currencies have a former confidence in financial markets, causing arbitrageurs and speculators require a risk premium again for other currencies.

In terms of internal factors, they are related to the quality of macroeconomic indicators, including the external account balance (current account, foreign exchange reserves), but also to the frequency of occurrence of devaluation measures [26].

The fiscal framework as the case of the existence of higher tax rates in comparison with the world levels or those in force in other countries.

3   Application of the Selection Criteria of choosing an Exchange Control Regimes to the Case of Morocco.

As indicated above, the analysis of the relevance of the present exchange rates regime of Morocco will be done through the application of the determinants of the choice of exchange rate regimes control identified by the economic literature on this subject in case of Morocco.

3.1 Degree of Efficiency in the Application of the Existing Exchange Control Regime

Assessing the degree of efficiency in the application of exchange controls will be operated through two criteria, namely data on statistical discrepancies and those relating to authorizations granted by the Exchange Office.

3.1.1 Data on statistical discrepancies

The analysis of data on statistical discrepancies recorded in the annual statements of the balance of payments relating to the years ranging from 1990 to 2011 reveals the following key findings:

-   low amounts of these differences since they have averaged at 860.45 million dirhams and represent on average during the said period 0.03% of total external transactions of Morocco.
-   the low correlation between statistical differences and balances of foreign payments. Indeed, negative differences (receivables) are recorded by example both in years with record foreign payments surpluses and deficits. This finding is significant because of the negative differences which are in theory an indicator of capital flight are recorded both during the years of surpluses and deficits in the balance of payments.

The items listed above show a weak significance of the statistical discrepancy as an indicator of capital flight in the event of Morocco that a negative sign (which can be explained by capital flight) does should not be recorded only during the years of external payments deficits.

Indeed, the behaviors of capital flight are recorded particularly during periods of external payments deficits, in anticipation of devaluation of the national currency.

3.1.2 Data relating to authorizations granted by the Exchange Office

As noted above, data on authorizations granted by the Exchange Office for the realization of various prohibited foreign trade operations can be regarded as an indicator of efficiency of the existing exchange control devices in a given country.

This assertion can be explained by the fact that the entities have recourse to the Exchange Office to request permissions-with all that implies in terms of time and financial costs for applicants such permits to achieve a transaction - this means that the possibilities of carrying out those operations without recourse to the Exchange Office (either from trading capital flight) are non-existent or at least at much higher costs to those required for obtaining such authorization.

Analysis of the data relating to authorizations granted by the Exchange Office shows that the number of applications has averaged 5,700 requests totaling an amount of over 25 billion dirhams [27].

Ultimately, the study of how effective the policy of exchange control in Morocco on the basis of those two criteria used, reveals that the exchange control in Morocco remains

generally effective and that, despite the different factors advocating for the ineffectiveness of such controls, including external trade openness in Morocco and the existence of a community of Moroccans living abroad.

3.2 The Exchange Rate Regime

In Morocco, the exchange rate regime applicable is qualified (according to the taxonomy of the IMF) conventional peg. It is a system generally part, according to the different categorizations made, rigid fixity regime or intermediate regime, in which the country links (formally) its currency at a fixed rate to another currency or a basket of currencies.

However, studies on the relevance of the exchange rate regime as well as the reports of international organizations (including the IMF), seem unanimous on the need to change the current exchange rates regime of Morocco, in the sense of establishment of a more flexible exchange rates regime.

In terms of studies on this subject, BAKKOU showed in the base on the application of theoretical and empirical evidence that it is more appropriate for Morocco to adopt a more flexible regime [28].

At the theoretical level, the application of the criteria of size (analysis of ERPT), of diversification and economic shocks concluded that the adverse effects likely to be generated by the introduction of a more flexible exchange rate regime will be low in magnitude to the Moroccan economy and conversely, the establishment of a more flexible regime will mitigate the negative effects due to real economic and financial shocks.

In terms of the empirical analysis, the majority of countries comparable to Morocco (33 out of 53 countries) have a more flexible exchange rates regime than that adopted by Morocco.

At the point of view of international agencies, reports by the IMF on Morocco in the context of Article IV of the statues of this establishment, recommend to Morocco to set up a more flexible exchange rates regime. The arguments put forward in this respect by the IMF consist in the fact that a flexible exchange rates regime allow Morocco on the one hand, to better respond to external shocks and improve its competitiveness on the other.

However if unanimity seems to be emerging on the need to change the current system, two questions remain, posed as such, the type of exchange rate regime that Morocco must choose following the amendment of its exchange rates regime and the timing of this decision.

In terms of type of exchange rate regime that Morocco is supposed to adopt following the change of the current exchange rate regime, the judicious choice recommended in this regard would be to extend the current band of fluctuation to 6% (six per thousand) around the fixed exchange rate against a basket of currencies (consisting of 80% in euros and 20% in dollars).

This widening of the fluctuation band - allowing Morocco to move an exchange rate regime qualified (according to the taxonomy of the IMF) of conventional peg regime to an exchange rate regime called stabilized arrangements or Crawl-like arrangement [29] is the common practice adopted by countries that have opted for the strategy of exchange rate policy [30], to the gradual approach [31].

This approach means the choice to make changes in exchange rates regime by intermediate steps, each corresponding to a higher degree of flexibility than the previous one; it is opposed to the rapid approach of switching from extremely rigid regimes to those of total flexibility [32].

The gradual approach still the most recommended in the light of several considerations, especially that:

-   the change in exchange rate regimes -to like original choice of exchange rate regimes- remains determined by structural factors which evolve slowly and making that the change of exchange rate regime must be operated together in order to avoid any costs incurred by the adoption of a fast approach.
-   the transition from a rigid exchange rate to a more flexible one requires - in addition to macroeconomic factors determining the original decision and changes in exchange rate regimes listed above- take into operational and behavioral considerations [33] which require a critical needed time firstly, to private operators for learning the operation rules of the foreign exchange market under a flexible exchange rate and government regulators for the mastery of institutional supervision instruments secondly [34].

Regarding the timing of the decision making, the establishment of a flexible exchange rates regime, however, is not an appropriate solution to Morocco at least in the short term and that, for reasons of political feasibility.

Indeed, the decision to flexible the exchange rate regime in the current context characterized by an external account deficit will be treated as a disguised devaluation of the exchange rate, that will have a negative impact on the purchasing power. In this respect, the decision of setting up a flexible exchange rates regime will be seen as a new measure reduced purchasing power (after the decompensation of the price of subsidized commodities), moreover infeasible or at least very risky politically under the current climate of social tension.

Reactions after taking light measurements decompensation is a very important indicator in this regard. Indeed, several manifestations were held during the period by syndicates and also a slice of the Moroccan population against the high cost of living as a result of recent increases in fuel prices.

Ultimately, the application of the criterion of exchange rate regime to analyze the relevance of the exchange control regime in Morocco seems to argue in favor of maintaining the existing exchange control regime in Morocco whether in the short-term that in the medium term.

At the short term, the option of maintaining the exchange rate regime of conventional peg that seems most appropriate in the light of the arguments raised, suggests maintaining the exchange control regime, the fact that the opening of the capital account will result in increased the defense costs of the rate regime by other policy instruments, including foreign exchange reserves and interest rates.

At the medium term, the establishment of a flexible exchange rates regime also remains compatible with the exchange control regime in Morocco [35].

3.3 Macroeconomic Factors

3.3.1 The level of foreign exchange reserves

Analysis of the levels of foreign exchange reserves observed in Morocco during the period 1990-2012 revealed the following findings:
-   levels of foreign exchange reserves remain in the most years above the threshold of three months of imports, but remain far / much lower than those in countries with fully convertible currency or with more liberal exchange control regime than that of Morocco;
-   levels of foreign exchange reserves had known broadly two phases. A first phase spanning the period 1990-2006 saw an upward trend for such reserves. This trend has been reversed since 2009, reflecting the impact of the financial crisis and soaring energy prices on the economy.

3.3.2 The current account

Data analysis of the current account of Morocco during the period 1990-2012 reveals the following:
-   the current account balance remains overall negative (negative balance recorded for 15 years, and positive balance recorded during seven years);
-   the evolution of the current account balance remains similar to that of public debt and foreign exchange reserves. Indeed, the current account has gone through two phases:
-   a period ranging from 1990 to 2007, characterized by a trend of improvement in the current account (relief of the negative balance and transition to a positive balance of this account);
-   a second phase ranging from 2008 to 2013 characterized by negative balances in constant aggravation.
-   the current account position can be seen as weak and, in light of the following elements:
-   the trade balance remains structurally deficient, since the import cover ratio is at 53% on average over the 2000-2011 period;
-   other elements balancing the current account remains uncertain because the revenues from services are still dominated by tourism receipts (58% on average over the 2000-2011 period) and current transfers (21.4% of current revenue in the same period).
-   the strong dependence of the current account to the international context, including energy prices, which represent over than 25% of imports during the period 2000-2011.

3.3.3 Budgetary balance (macroeconomic stability)

The performance analysis in terms of a budgetary balance will be made on the base of the ratio of outstanding public debt to GDP [36].
In this regard, the observation of the evolution of that ratio brings out similar finding to those raised in the conclusions of the analysis of the exchange reserves levels:

-   the ratio remains close in the most years of the 60% threshold;

- evolution in the ratio of outstanding public debt went through two phases. A first phase characterized by the continual decrease in this ratio and a second phase from 2010 to 2013 saw an increase / upward trend of this ratio.

Table 1: Moroccan public debt ratio

Year	debt ratio (% of GDP)
2000	68,1
2001	67,1
2002	63,7
2003	60,8
2004	58,2
2005	62,1
2006	57,3
2007	53,5
2008	47,3
2009	47,1
2010	50,3
2011	53,4
2012	58,3

Ultimately, the analysis of the economic relevance of the current exchange control regime based on macroeconomic indicators mentioned above does not allow to draw definitive conclusions on the matter.

Indeed, the three indicators for assessing the level of national savings, namely the current account, foreign exchange reserves and the outstanding external public debt seems structurally inadequate and have now reached levels considered critical.

3.4 Criteria of the Stability of the Domestic Capital Market

3.4.1 Stability of financial institutions

The analysis of the degree of stability of financial institutions can be done through a synthetic indicator, namely the ratings assigned by international rating agencies to leading Moroccan banks, namely, "Attijariwafa Bank, People's Bank, BMCE and Society General".

Indeed, Fitch Rating has granted to these banks, which represent 65% of Moroccan banking sector, a favorable rating that corresponds to a good credit rating with a stable outlook. This rating was given based on several criteria including positioning (market position), risk, employment coefficient, income and capital.

3.4.2 Country risk

Country risk in Morocco can be considered relatively low [37]. Indeed, the COFACE attributed to Morocco the note A4 which allowed him to occupy the third place in Africa after Namibia and South Africa in terms of country risk. This note was kept by Morocco since 2011 despite the turbulence that the country has gone through in recent years.

3.4.3 Currency risk

As noted above, the analysis of currency risk in a country depends on two macroeconomic key factors, including the external account balance (current account, foreign exchange reserves) and the occurrence frequency of devaluation measures [38].

At the state of the external account balance, the analysis in this regard was made previously at the parts 3.3.1 and 3.3.2.

In terms of the frequency of taking devaluation measures, the observation of the policy of the exchange regime management in Morocco since independence allows to make the following conclusion:

- the average frequency of devaluation measures taken is more intense in Morocco than in the world, if we take as a reference period the period spanning from 1956 to today. Indeed, since the establishment of the dirham in 1958 until today, Morocco has taken a measure of devaluation every six years in average, while the world average is a measure of devaluation every 13 years;

- the frequency of devaluation measures taken in Morocco is however close to the world average if we take as a reference the period spanning from 1990 to today. This average remains influenced by successive devaluations adopted during the 1980s and therefore, gives no information about the reality of the situation. Indeed since the 1990s until today, the devaluation measures have become rarely frequent in Morocco:

3.4.4 The fiscal framework

The tax burden on businesses in Morocco is relatively important, both at the continental and global scale. Indeed, Morocco occupies, with overall tax ratio of 49.6%, the 78th position in this regard. At the regional level, the tax burden is lower in Morocco than in Tunisia (60th) and is considerably higher than that in force in Algeria (174th) and Libya (116th) and Mauritania (181st) [39].

Ultimately, the stability of the capital markets criteria as an important factor in assessing the relevance of an exchange control regime appears to favor a more liberal framework of the exchange controls policy.

4   Conclusion

This study aimed to analyze the economic relevance of the current exchange control regime in Morocco.

This analysis concluded that it is more appropriate for Morocco to maintain the current exchange control regime.

Indeed, no determining criteria on the choices concerning exchange control regimes, namely the exchange rate regime criteria, the efficiency of the exchange controls, the level of national savings and the stability of capital market seems to advocate the abandonment of the exchange control regime and the establishment of a full convertibility regime.

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