Extended Abstract
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Paper Title	**Unravelling the Effects of Indonesia's Palm Oil Export Ban on Global Stock Markets**

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Abstract	***200 words max***
Export bans are commonly used as trade policy tools with the primary aim of stabilizing national prices, but they often result in unintended effects. This study utilizes the implementation of the Indonesian export ban on palm oil in April 2022 and the subsequent lifting of the ban in May 2022 to investigate its impact on the global stock market's performance within the agricultural sector and the national stock market performance of palm oil-producing countries. The export ban was aimed at stabilizing domestic prices to ensure a consistent supply of cooking oil. Using an event study and regression discontinuity in time, we analyse daily national stock data over several months from companies in palm oil-producing countries that have national MSCI indices, as well as from companies listed in the MSCI All Country World-Index Select Agriculture Producers Investable Market (MSCI ACWI SAP IMI) Index. The identified causal effects of the introduction and the lifting of the ban do not balance out	

Keywords	Event study, Export ban, Firm values, Indonesia, Palm oil, Regression discontinuity in time, Trade policy
JEL Code	G14, Q14, Q17

Introduction	***100 – 250 words***
In April 2022, the Indonesian Government introduced a temporary ban on all exports of palm oil, aimed at regulating the dynamics of the domestic market. The export ban was implemented in response to previously unsuccessful attempts to regulate cooking oil prices, which had disproportionately impacted economically vulnerable populations in Indonesia. Hence, the government sought to stabilize domestic prices to ensure a consistent supply of cooking oil. However, the impact of the export ban extended beyond the domestic market, leading to repercussions in global stock markets. Throughout the duration of the export ban newspaper reports suggested that the stock markets of palm oil companies in Indonesia experienced a considerable drop. In contrast, Indian companies witnessed a considerable surge in their stock market performance in response to the trade ban policy. The export ban was lifted one month later. The palm oil industry is particularly crucial for Indonesia, the world's largest palm oil producer, with smallholder farmers contributing approximately 40% of total production. Notably, the palm oil sector has played a pivotal role in fostering rural development. For instance, provinces like Jambi, a leading oil palm-cultivating region	

located on the island of Sumatra, recorded an 8% decline in the poverty line, exemplifying the industry's positive impact.

Our study aims to investigate the causal effects of both the introduction and the lifting of the export ban on the stock market performance of countries producing national and international palm oil.

Methodology	***100 – 250 words***

An event study is applied to assess the impact of a specific event on a particular variable of interest, in this case, the introduction and lifting of the export ban on the financial market response. In a standard event study, it is assumed that market prices already incorporate all publicly available information, and any price changes would occur only due to unexpected events. At the core of an event study lies the assessment of abnormal stock returns (ARs), which we use to measure financial market responses to the two events of interest. A normal return is the expected return without conditioning on the defined event taking place. ARs are the changes in stock price surrounding the occurrence of an event that account for all the effects resulting from both industry and market-wide influences.

Additionally, we estimate an RDiT. All units in the study are assigned a value of the score, and the treatment is assigned only to units whose score value exceeds a known cutoff (time after the introduction and lifting of the export ban). The probability of treatment assignment changes from zero to one at the cutoff, and this abrupt change in the probability of being assigned to treatment induces a change in the probability of receiving treatment at the cutoff. This discontinuous change in the probability of receiving treatment can be used to learn about the causal effects of the treatment on outcomes of interest.

Results	***100 – 250 words***

We observed responses from both national and international stock markets to the introduction and lifting of the trade policy. The MSCI Indonesia sample experienced negative consequences following the introduction of the export ban, as evidenced by a statistically significant negative cumulative abnormal return (CAR). Similarly, the global MSCI ACWI SAP IMI also faced a statistically significant negative CAR. The national policy of the largest palm oil-producing country had a notable impact, reducing the global palm oil supply and affecting the entire global agricultural sector.

Conversely, we noted a statistically significant positive CAR for the MSCI India sample. Furthermore, the lifting of the export ban one month later resulted in statistically significant positive CARs for the MSCI ACWI SAP IMI, MSCI Indonesia, and MSCI Thailand samples. However, the MSCI samples of India and Malaysia were statistically insignificantly affected by the lifting of the export ban. These findings suggest that the export ban imposed by the largest palm oil-producing country had a statistically significant impact on stock market performances worldwide, with distinct reactions observed across different countries.

Discussion and Conclusion	***100 – 250 words***

This study investigated the causal effect of the introduction and the lifting of the export ban on national palm oil-producing countries and international stock markets. We conclude that both the national and international stock markets responded to the introduction and the lifting of the policy. Following the introduction of the export ban, the MSCI Indonesia experienced considerable negative consequences, as is evident from our statistically significant negative CAR. Likewise, the global MSCI ACWI SAP IMI also faced a noteworthy negative CAR. In contrast, the MSCI India exhibited a statistically significant positive CAR. This suggests that Indian companies involved in the palm oil industry, encompassing both cultivation and processing, experienced an increase in the value of their stocks and expected future revenues.

Furthermore, the lifting of the export ban one month later resulted in statistically significant positive CARs for the MSCI Indonesia, MSCI ACWI SAP IMI, and MSCI Thailand. However, the MSCI indices of India and Malaysia were statistically insignificantly affected by the lifting of the export ban. Focusing on the effect size of the introduction and the lifting of the export ban, the identified effects do not balance out. This highlights the negative external effect of this specific policy by the Indonesian Government.

As global supply chains are crucial to ensure an adequate and stable food supply across the globe, adverse effects of trade policies must be considered. Moreover, an export ban potentially affects trust towards the implementing country, thereby possibly impacting future foreign direct investment inflows.