



The Analysis of
Conflict Economy
in Karen State

June 2026





PROMOTING LEADERSHIP AND
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Institute for Strategy and Policy – Myanmar

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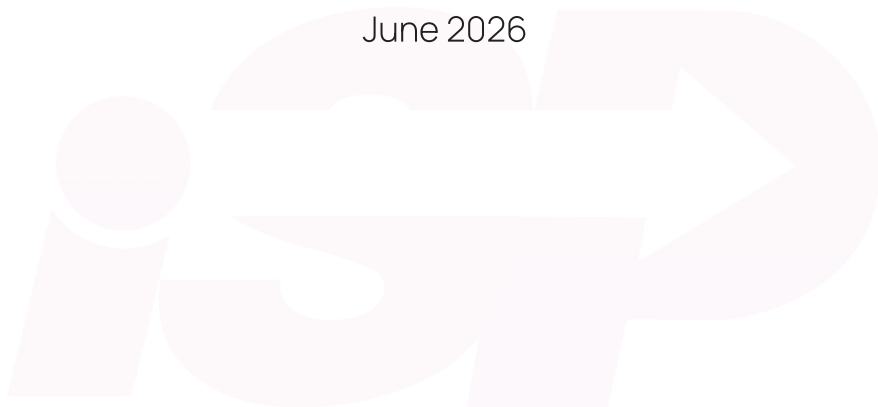


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1. Executive Summary

Tax revenue generated from trade routes serves as the primary economic incentive driving the Karen State's conflict economy. Currently, the Myanmar Armed Forces (MAF) and Karen armed groups, whose interest intertwined with the MAF, continue to control the major trade routes and critical infrastructures that hold the greatest geographical, economic, and security importance in the region. In the mining sector, the MAF and the Karen National Liberation Army (KNU/KNLA) currently share equal control of the region's strategic antimony mines. Despite Thailand and Karen State sharing deep economic, geographical, and multifaceted interdependencies, Thailand's government maintains limited leverage over Karen armed groups, dissimilar to the leverage the Chinese government wields over armed organizations along the Sino-Myanmar border. Consequently, Thailand's capacity to facilitate or guarantee conflict mitigation among these armed actors remains weak. Additionally, informal resource trading and transnational organized crimes— such as online scam (*Kyar Phyant*) operations—continue to financially sustain and facilitate the growth of the various fragmented armed factions operating in Karen State. The ongoing conflict in Karen State are fundamentally driven by the goal to control these economically vital territories. Currently, the conflict situation has reached a stalemate level where neither side can win or lose. However, each armed group will strive to strengthen their standing, signaling that the region is heading toward a protracted conflict.

2. Objective of the Study

The primary objective of this policy brief paper is to analyze the feasibility of a hypothesis: among different pathways, whether economic incentives can lead to conflict de-escalation and pave a way for political solutions in Myanmar. The conflict landscape, which has severely deteriorated since the coup, has now reached a strategic stalemate. Within the international community's efforts to find a political resolution to Myanmar's crisis, two main pathways have emerged: (1) fostering dialogue through international humanitarian assistance, and (2) reducing conflict through economic incentives-particularly by trade, commerce, and investment- an approach being pursued by China.

Given China's significant influence over Myanmar conflict actors, its approach of using economic incentives in its conflict de-escalation process warrants serious consideration. Therefore, instead of descending into a mutually destructive "zero-sum" result, it is crucial to explore incentives and opportunities to at least avoid the public's long term suffering. At the same time, it is imperative to avoid repeating the negative outcomes of the "ceasefire crony capitalism" emerged in the 1990s and 2000s that only benefited the armed actors and cronies.

In any case, effective frameworks must be carefully designed across three key sectors deeply intertwined with neighboring countries' interests: infrastructure, natural resource extraction, and border trade. Accordingly, this paper analyzes the economic incentives and interests driving the actors involved in Myanmar's post-coup conflict economy and identifies the precise points where these interests intersect.

3. Research Methodology, Demographics, and Territorial Data

To analyze the incentives, interests, and opportunities driven by the conflict economy among the various actors involved in Myanmar's post-coup conflict, ISP-Myanmar used a mixed-methods approach, integrating quantitative data and qualitative research. The study was conducted from June 2025 to January 2026. This research focuses on seven townships within Karen State: Thandaunggyi, Myawaddy, Kyainseikgyi, Kawkareik, Hpapun, Hpa-An, and Hlaingbwe. Among these, Myawaddy, Kyainseikgyi, Hpapun, and Hlaingbwe townships share borders with Thailand. According to the 2024 census data, the Karen state has a total population of approximately 1.5 million, with 1.2 million people residing in rural areas. The population is predominantly Karen, Bamar, Mon, and Shan ethnic groups. The armed groups based and actively operating within the region include the Myanmar Armed Forces (MAF), Karen National Union/Karen National Liberation Army (KNU/KNLA), the Karen Border Guard Force (BGF)/Karen National Army (KNA), the Democratic Karen Benevolent Army (DKBA), the Karen National Union/Karen National Liberation Army-Peace Council (KNU/KNLA-PC), and various People's Defense Forces (PDF).

4. Findings

4.1. Findings on Infrastructures

According to data collected through ISP-Myanmar's research methodology, a total of 104 infrastructure assets (road sections, bridges, power plants and border trade stations) were recorded across seven townships in Karen State. Examination of armed groups' control over these locations reveals that the Myanmar Armed Forces (MAF) fully controls 64 assets (61 percent) (See ISP-DM2026-040). There are 16 assets where control is informally negotiated or shared with the KNA, BGF, KNU/KNLA-PC, and the DKBA. Meanwhile, control over 13 infrastructure assets is contested between the MAF and the KNU/KNLA.

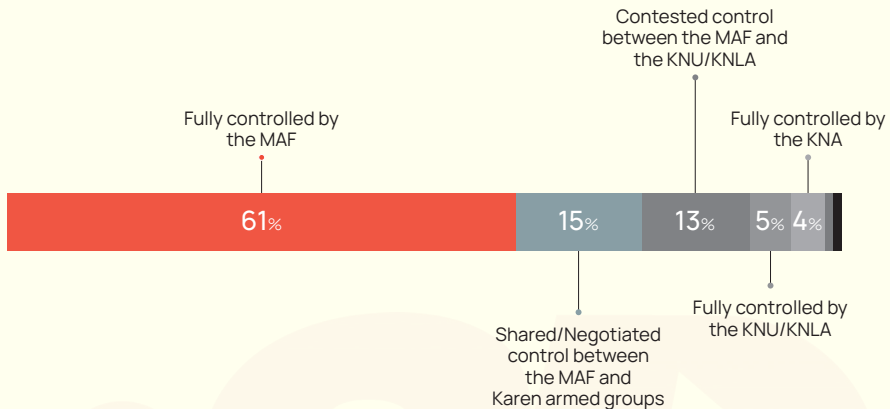
Based on ISP-Myanmar's research methodology, 17 of these infrastructure assets are classified as "highly critical".¹ Of these highly critical infrastructure assets, 10 assets (59 percent) are fully controlled by the MAF (See ISP-DM2026-041). This includes infrastructure critical to the Myanmar-Thailand border trade. The MAF shares or negotiates control of another six highly important infrastructure assets with the KNA, DKBA, KNU/KNLA-PC and BGF while the MAF is contesting control with the KNU/KNLA for the remaining one site. Although there are areas of contestation and negotiated shared control arrangements in place, the MAF controls the majority of infrastructure sites in Karen State, with significant geographic, economic, and security importance.

Furthermore, as the MAF shares control over major trade routes, tax-collection gates, toll gates and checkpoints with the BGF, KNA, the DKBA and KNU/KNLA-PC, their economic interests heavily align. Conversely, the findings show that within Karen State, the KNU/KNLA does not fully control a single infrastructure site or asset considered highly critical in terms of geographic, economic, or security significance.

1 The methodology for categorizing the levels of significance of infrastructures—including road sections, bridges, power plants, and border trade stations—is detailed in the Appendix.

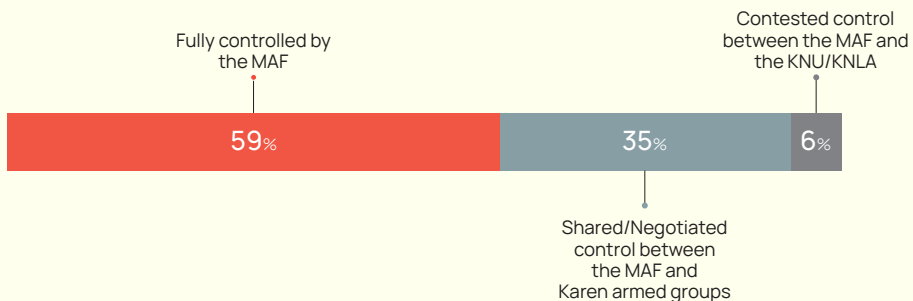
MAF Fully Controls 64 of 104 Infrastructure Assets in Karen State

Across **seven** townships in Karen State, **104** infrastructure assets—including roads, bridges, taxation checkpoints, and border trade stations—are under the control of various armed groups, including the Myanmar Armed Forces (MAF). Of these, the MAF fully control **64** assets (**61 percent**).



MAF Controls 59 Percent of Karen State’s Vital Infrastructures

Karen State has **17** vital infrastructure assets essential to geography, economy, and security. Of these, the Myanmar Armed Forces (MAF) fully control **10** (**59 percent**). Another **six** assets (**35 percent**) are under informal shared control by the MAF and Karen armed groups, including the Border Guard Force (BGF), Karen National Army (KNA), Democratic Karen Benevolent Army (DKBA), and Karen National Union/Karen National Liberation Army–Peace Council (KNU/KNLA-PC).



4.2. Findings on Trade Routes

In Karen State, there are currently seven major border trade routes critical for Myanmar-Thailand border trade. These include regular Myanmar-Thailand trade routes as well as alternative trade routes utilized during times of conflict. The Asian Highway No. 1, the old Kawkaik-Myawaddy Highway², and the Mawlamyine-Mudon-Kyainseikgyi-Hpayarthonesu road serve as regular routes. Meanwhile, the Htawtkawcoe, Kyat Ou Taung, 1018, and Yin Kwe Taung roads function as alternative routes.

According to the criticality scoring system, the three regular routes of the Asian Highway, the old Kawkaik-Myawaddy Highway, and the Hpayarthonesu road are classified as “highly critical.” The alternative Htawtkawcoe and the Road 1018 are designated as having “medium criticality.” The road section of the Asian Highway No. 1 passing through the Karen State stretches about 169 kilometers. If that road section is divided into five portions, the MAF fully controls four out of the five portions while the remaining one portion of the road section in Karen State is shared or negotiated control with the KNA and BGF.

The control over the old Kawkaik-Myawaddy Highway is contested between the MAF and the combined forces of the KNU/KNLA and the PDF. Of the alternative trade routes, the Road 1018 is fully controlled by the KNA, while control over the Yin Kwe Taung road is shared or negotiated between the KNA, BGF and KNU/KNLA-PC. The Kyat Ou Taung road is also split between the KNA and the KNU/KNLA-PC under a negotiated and shared control arrangement. Interestingly, the Htawtkawcoe road is characterized by the presence of all Karen armed groups, also operating under a negotiated and shared control arrangement (See **ISP-M2026-018**).

Preliminary analysis indicates that the MAF controls the majority of the trade routes vital for Myanmar-Thailand border trade, while the remaining sections are controlled by the KNA and DKBA, armed groups that could be assumed close to the MAF. When examining the alternative routes that have emerged as a result of conflict, the KNA and the KNU/KNLA-PC maintain control over most routes.

2 The “Asian Highway (old road)” refers to the Myawaddy-Kawkaik road section. To boost Myanmar-Thailand border trade, the Asian Highway (new road) was constructed to replace the old road during the 2015–2016 fiscal year, with assistance from Thailand’s Neighbouring Countries Economic Development Cooperation Agency (NEDA) and the Asian Development Bank (ADB).

MAF Regains Control of Most Trade Routes in Karen State

A section-by-section view of Asian Highway No. 1, which runs for about 169 kilometres through Karen State, shows that the Myanmar Armed Forces (MAF) controls four of its five sections. The remaining section is under an informal form of shared control involving the Karen National Army (KNA), Border Guard Force (BGF), and the MAF. The control of the old Kawkaeik-Myawaddy Highway is contested between the Karen National Union/Karen National Liberation Army (KNU/KNLA), its allied People's Defence Forces (PDFs), and the MAF. Alternate routes such as Road 1018 are fully controlled by the KNA, while the Yin Kwe Taung road is jointly controlled by the KNA, BGF, and KNU/KNLA-PC. Control of the Kyat Oo Taung road is shared between the KNU/KNLA-PC and the MAF. All armed groups are present on the Htawtkawcoe road.



Data as of April 2, 2026, is part of research conducted by ISP-Myanmar. It may vary from other sources due to differences in methodology and data availability.

4.3. Findings on Tax-Collection Gates, Toll Gates and Checkpoints

Along the routes used for Myanmar-Thailand border trade, there are both official tax-collection gates, toll gates and checkpoints operated by various armed groups. The presence, as well as the opening and closing dynamics of these taxation checkpoints along the trade routes, fluctuate depending on the status of armed clashes and the flow of commodities.

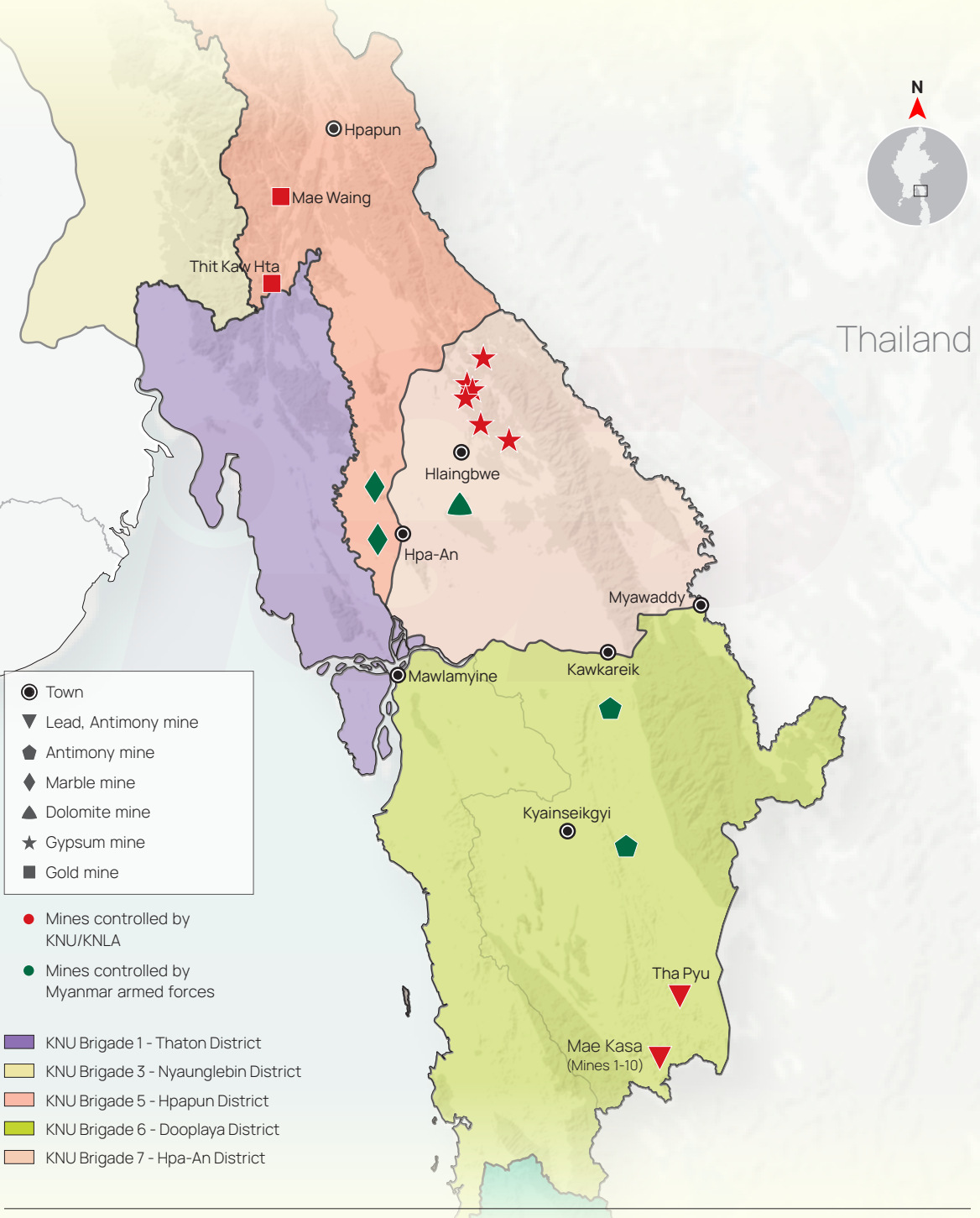
Our preliminary studies have identified 12 major taxation gates and checkpoints located along the Asian Highway (both new and old highways). Of these 12 documented taxation checkpoints, the MAF fully controls five gates. Furthermore, the MAF shares or negotiates control of the Gyaing Bridge (Kawkareik) gate, the Mekanel Bridge gate, and the Myawaddy Border Trade Zone with the KNA and BGF, and control of the Thingannyinaung gate is shared between the MAF and the KNA, and the KNU/KNLA-PC. The KNU/KNLA controls the gates along the old Kawkareik-Myawaddy Highway. On another major Myanmar-Thailand trade route, the MAF shares control of the Hpayarthonesu Border Trade Gate with the DKBA under a negotiated and shared control arrangement. The KNU/KNLA are in full control of the Taung Paw Gate and the Taung Auk Gate, both located on the old Kawkareik-Myawaddy Highway. The study identified 24 checkpoints along the alternative Htawtkawkoe trade route; however, these gates are not permanent, and their operational status fluctuates with ground conditions, which may lead to temporary discrepancies in the count. The gates along the Htawtkawkoe road are controlled by various armed groups, including the KNU/KNLA, KNA, KNU/KNLA-PC, and the PDF.

4.4. Findings on Mineral Mines

ISP-Myanmar recorded at least 15 mineral mining sites in Karen State. The highest concentration of these sites is in Hlaingbwe Township, which hosts seven mines. Additionally, there are three mining sites in Kyainseikgyi, two in Hpa-An, two in Hpapun, and one in Kawkareik. When analyzing the types of minerals extracted, the majority of the sites produce gypsum, with antimony the second most commonly extracted mineral (**See ISP-M2026-019**). Of the mining sites recorded, the KNU/KNLA controls 10 sites (66.7 percent) while the MAF controls the remaining five (33.3 percent). Among these, four mining sites are classified as “highly critical,” all of which are antimony mines. The findings show that the MAF and the KNU/KNLA each control two of these strategic antimony blocks. Antimony is listed as a critical mineral by China, the European Union, and the United States.

Mining Sites in KNU/KNLA Brigade Territories

The Karen National Union/Karen National Liberation Army (KNU/KNLA) is organized into **seven** brigades, **three** of which—Brigades 5, 6, and 7—are based in Karen State. Gold mines are located in the territory of Brigade 5, antimony mines in Brigade 6, and gypsum mines in Brigade 7.



Data as of January 12, 2026, is part of research conducted by ISP-Myanmar. It may vary from other sources due to differences in methodology and data availability.



According to reports from the U.S. Geological Survey (USGS), Myanmar has ranked as the fourth-largest producer of antimony globally for three consecutive years. Data from Thailand's Ministry of Commerce indicates that Myanmar's antimony is predominantly exported to neighboring Thailand. Additionally, there are three mines categorized as having "medium criticality." The KNU/KNLA controls two of these, which are gold mines, while the MAF controls the remaining site, which is a limestone mine.

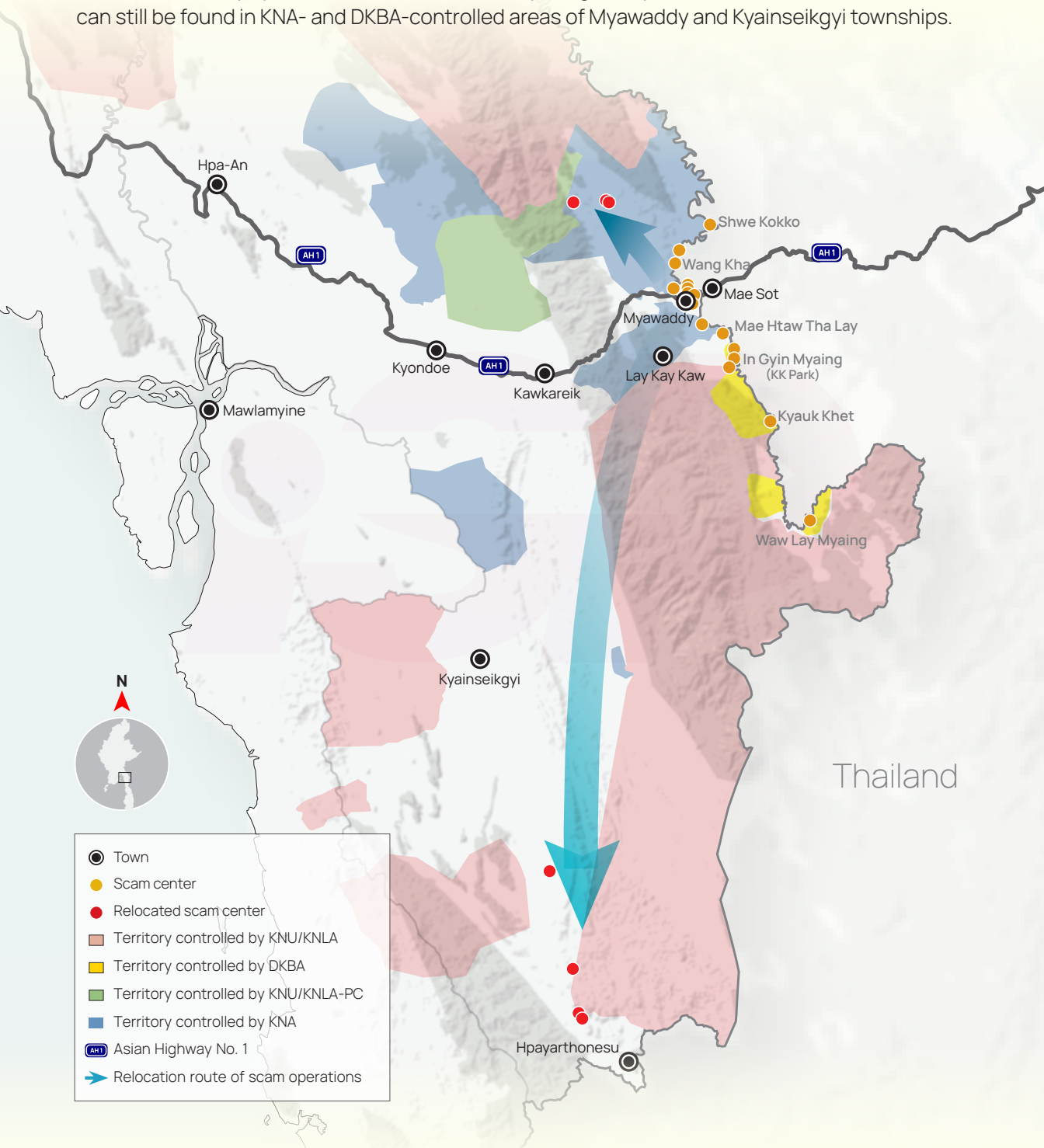
4.5. Status of Online Scam (*Kyar Phyant*) Operations

Online scam (*Kyar Phyant*) operations remain a significant component of the conflict economy in Karen State. Despite crackdowns and the destruction of facilities at major online scam (*Kyar Phyant*) centers in Myawaddy Township, including Shwe Kokko and KK Park in 2025, these operations continue to function within the state. The *Kyar Phyant* enterprises have reportedly relocated further into the interior of Karen State, restructuring their facilities into smaller and more mobile clusters.

Observations indicate that these scam operations have expanded into KNA-controlled areas of Myawaddy Township, including Thit Ka Tay and Hpar Ka Lu villages, as well as into DKBA-controlled villages near Hpayarthonesu in Kyainseikgyi Township (See ISP-M2026-020).

Kyar Phyant Scam Continues Their Operations

After crackdowns on *Kyar Phyant* (online scam) compounds such as Shwe Kokko and KK Park in Karen State, many operations relocated to nearby villages. In particular, relocated scam centres can still be found in KNA- and DKBA-controlled areas of Myawaddy and Kyainseikgyi townships.



5. Conclusion

The armed conflict in Karen State has reached a stage of stalemate where no one side can win or lose decisively. However, armed groups will continue to consolidate and strengthen their respective areas of influence, indicating the potential for a prolonged conflict environment. The conflict dynamics in Karen State require a multi-layered strategic approach, as military developments, economic networks, and regional power relations are closely interconnected and mutually influential. Among the possible approaches, priority could be given to supporting and strengthening the role of civil society organizations and local leadership. Such efforts may help increase public pressure on the various armed forces, including the Myanmar Armed Forces (MAF), to promote greater accountability. Another option is to formulate approaches to benefit the public interest based on the relationships between Thailand and Myanmar's conflict actors and frameworks that could center Thailand and include other countries including China. Previous experiences suggest that approaches focused primarily on elite-level negotiations and the concentration of benefits among elites may contribute to short-term stability but are less likely to remain sustainable without broader public participation and consideration of local interests. In this context, public representation and inclusion in local-level resource management and revenue-sharing mechanisms are important considerations. Additional support may also be required to strengthen local administrative systems among conflict stakeholders, particularly in areas related to taxation, public service delivery, and justice mechanisms. ■

Appendix: Categorizing Levels of Significance

This analysis categorizes infrastructure assets or sites—including road sections, bridges, power plants, border trade stations, trade routes, and taxation checkpoints—based on three criteria: location, economic, and security significance.

The assessment of locational significance considers factors such as connections to China-Myanmar Economic Corridor projects, broader regional integration plans, transportation networks, and border trade activities. Economic significance is evaluated based on factors including contributions to regional and national economies, as well as the extent to which these sites may serve as sources of revenue for armed actors. Security significance is assessed according to the role of these sites in military operations and logistical activities.

The analysis of mineral mines applies three criteria: economic value, the importance of specific minerals to neighboring countries such as China and Thailand, and their relevance to global supply chains. This study uses a combination of numerical scoring methods and qualitative assessments across individual criteria.

Definitions of Territorial Control

The study applies the following definitions of territorial control:

Full control

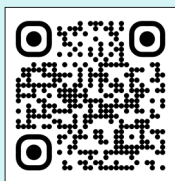
Refers to a situation in which an armed group, or entities operating under its command structure, exercises full control over a territory.

Contested control

Refers to a situation in which an armed group does not exercise full control over a territory and is actively contesting control with one or more other armed groups.

Shared/Negotiated control

Refers to a situation in which two or more armed groups informally share influence or administrative control over a territory.



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