Analysis of

Conflict Economy

NORTHERN SHAN STATE

October 2026





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(1) Trackers,
(2) Situation Brief,
(3) Policy Brief,
(4) Flash Updates,
(5) ISP OnPoint,
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(7) the "30 Minutes with the ISP" talkshow.

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1

Executive Summary

Following the 2021 coup, the conflict economy has expanded nationwide alongside armed conflict. As a pilot project, ISP-Myanmar studies the situation of the conflict economy in two areas of the country, in Karen State and northern Shan State, in order to analyze the feasibility of a hypothesis on Myanmar's conflict. The situation can be assessed as a strategic stalemate has been reached at present; while the conflict may still be attritional skirmishes, neither side can achieve a decisive victory at the war level, meaning no one side can decisively win or lose. Therefore, this study analyzes whether actors will continue toward a zero-sum game, or whether economic incentives (or profit-sharing) can lead to conflict de-escalation and pave the way for political solutions. The situation in northern Shan State, however, differs from Karen State. In northern Shan State, China has pushed for a ceasefire between the Myanmar Armed Forces (MAF) and Ethnic Armed Organizations (EAOs), using considerable leverage to ensure stability along its border, and has introduced a program to reduce the conflict through economic incentives, trade, commerce, and investment.

The Myanmar National Democratic Alliance Army (MNDAA) and its allied forces control the majority of critical infrastructure for Myanmar-China trade in northern Shan State, including border gates, trade zones, and locations designated for the China-Myanmar Economic Corridor (CMEC) projects. EAOs continue to control the highest number of crucial road sections for the Myanmar-China border trade. The Muse 105-Mile Zone and the Kyinsankyawt border gate are locations where the profit-sharing interests of the EAOs align. Additionally, EAOs control mining sites that are economically vital, strategically important to China, and significant to global supply chains. The process of conflict de-escalation involving China is likely to shape the conflict landscape in northern Shan State. Preliminary agreements between the MNDAA and the MAF aimed to resume border trade and pointed to an emerging territorial partition driven by the mutual imperatives of border stability. A question arises; whether this is the neighbor China's preferred model of Myanmar's conflict resolution or conflict de-escalation model. Furthermore, a situation could emerge where the MAF holds leverage in its dealings with certain EAOs. Inter-ethnic conflict among the EAOs could also ignite in areas with contested territorial control, resource disputes, and geopolitical interests.

2

Objective of the Study

The study of conflict economy in northern Shan State is based on the inquiry of assessing the hypothesis: whether conflict de-escalation through economic incentives is a potential model for conflict resolution among many others. The 2021 post-coup escalation of conflict has reached a strategic stalemate in 2025 where no one side can win or lose decisively. In this context, international efforts to resolve the Myanmar conflict currently involve two main paths: (1) fostering dialogue through international humanitarian assistance, and (2) conflict de-escalation through economic incentives, an approach being pursued by China.

As China exerts considerable influence over various conflict actors in Myanmar, its strategy of using economic incentives to de-escalate the conflict demands close attention. Consequently, rather than allowing the situation to deteriorate into a devastating zero-sum game, it is imperative to investigate opportunities that could at least mitigate prolonged public suffering. However, caution must be exercised to avoid the negative consequences of "ceasefire crony capitalism" seen in the 1990s and 2000s, which only benefited armed actors and elites.

Regardless of the approach taken, in order to benefit the community, effective frameworks should be set across three critical sectors that are closely tied to neighboring countries' interests: infrastructure, natural resource extraction, and border trade. To that end, this paper examines the economic motives driving the various actors within Myanmar's post-coup conflict economy and pinpoints exactly where their interests converge.

3

Research Methodology

A mixed-methodology combining qualitative and quantitative research was employed to examine the economic motives, interests, and opportunities of the actors in Myanmar's post-coup conflict. The study, conducted between June 2025 and January 2026, centers on 24 townships in northern Shan State and was based entirely on open-source data. According to the 2024 census, the population in northern Shan State is over three million. The majority of the residents are of Shan, Palaung (Ta'ang), Kachin, Kokang, and Bamar ethnicities. In these townships, the Myanmar Armed Forces (MAF) and six Ethnic Armed Organizations (EAOs) are based, exerting control, operating, and establishing dominance. These EAOs are the Myanmar National Democratic Alliance Army (MNDAA), the Ta'ang National Liberation Army (TNLA), the United Wa State Army (UWSA), the Kachin Independence Army (KIA), the Shan State Progress Party/Shan State Army (SSPP/SSA), and the members of the Three Brotherhood Alliance (3BHA).

4

Findings

4.1. Findings on Infrastructures

According to data collected through ISP-Myanmar's research methodology, 472 infrastructure assets (road sections, bridges, power plants, and border trade stations) across 24 townships in northern Shan State were recorded. Looking at the control by armed groups, 130 infrastructure assets (28 percent) are fully controlled by the Ta'ang National Liberation Army (TNLA). There are 83 infrastructure assets (18 percent) fully controlled by the Myanmar Armed Forces (MAF), and 60 infrastructure assets (13 percent) fully controlled by the Myanmar National Democratic Alliance Army (MNDAA). Additionally, there are 74 infrastructures (16 percent) where control is being contested among armed groups, including the MAF, MNDAA, TNLA, Kachin Independence Army (KIA), United Wa State Army (UWSA), and Shan State Progress Party/Shan State Army (SSPP/SSA) [See ISP-DM2026-060]. There are also 74 infrastructures (16 percent) under shared/negotiated control (unofficially, through mutual understanding) among armed groups, including the MAF, MNDAA, SSPP, UWSA, and 3BHA.

Among these, 47 infrastructure assets are classified as "highly critical".[1] These include Myanmar-China border gates and road sections connected to trade routes. Among these highly critical infrastructures, the MNDAA fully controls 12 assets (26 percent), the MAF controls eight (17 percent), the UWSA controls five (11 percent), the 3BHA controls three (six percent), and the TNLA controls two (four percent) [See ISP-DM2026-061]. Although the MAF control factories implemented by Chinese companies, infrastructure, project sites, and road sections that are strategically important and of greatest economic interest for both the neighboring country and trade remain under the control of EAOs. Notably, the KIA and SSPP/SSA currently do not control any of the high critical infrastructure assets.

1 The methodology for categorizing the levels of significance of infrastructures (road sections, bridges, power plants, and border trade stations), trade routes, tax collection gates, and mines is detailed in the Appendix.

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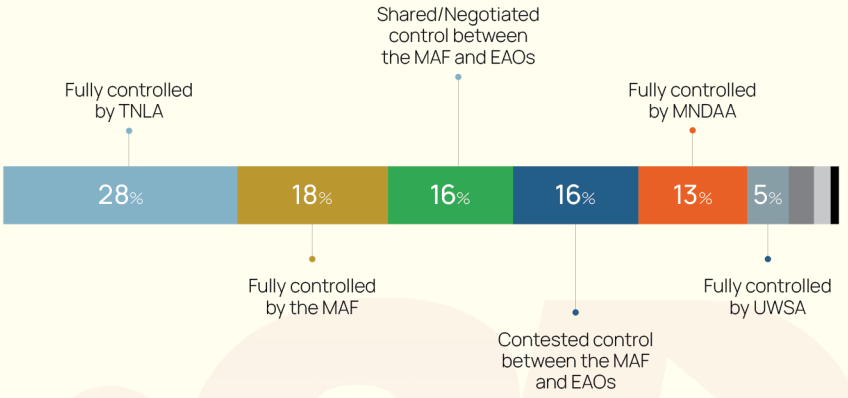
TNLA Controls the Majority of Infrastructures in Northern Shan State

In northern Shan State, a total of **472** infrastructure assets, such as roads, bridges, and border trade posts, are controlled by armed groups, including the Myanmar Armed Forces (MAF). Of those, **130 assets (28 percent)** are controlled by the Ta'ang National Liberation Army (TNLA), while the MAF controls **83 (18 percent)**.



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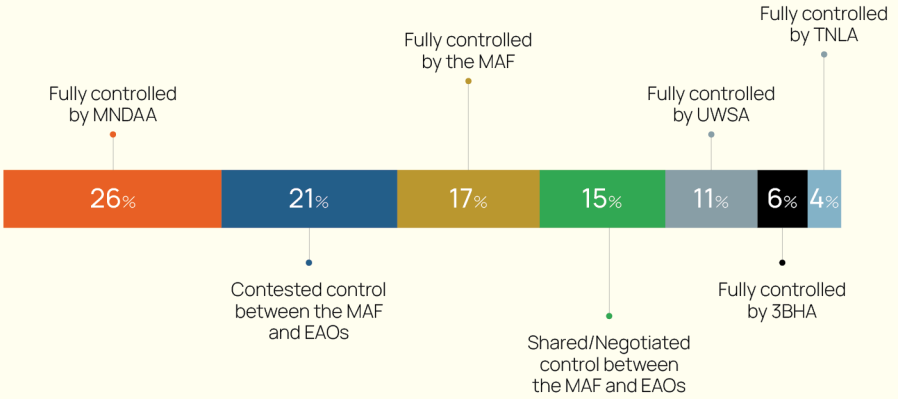
MNDAA Controls 26 Percent of Highly Critical Infrastructures

In northern Shan State, there are **47** highly critical infrastructure assets in terms of geographical, economic, and security value. Of these, **12 assets (26 percent)** are fully controlled by the Myanmar National Democratic Alliance Army (MNDAA). Control of another **10 assets (21 percent)** is contested between the Myanmar Armed Forces (MAF) and Ethnic Armed Organizations (EAOs).



Data as of March 18, 2026, is part of research conducted by ISP-Myanmar and is based entirely on open-source data. It may vary from other sources due to differences in methodology and data availability.

4.2. Findings on Trade Routes

In northern Shan State, there are two major routes for Myanmar-China bilateral trade: Mandalay-Lashio-Muse and Hseni-Kunlong-Chinshwehaw. Due to conflicts following Operation 1027, alternative routes connecting northern and southern Shan State have also emerged via the Lashio-Hsipaw-Nam Lan-Taunggyi road and the Lashio-Hsipaw-Nawnghkio-Lawksawk-Shwenyaung-Taunggyi road.
The Mandalay-Lashio-Muse and Hseni-Chinshwehaw routes are among the "highly critical" routes. The two alternative routes connecting northern and southern Shan State are of "medium critical".

There are 13 highly critical road sections. Among them, on the Mandalay-Lashio-Muse route, the MAF fully controls only three sections: Nawnghkio-Kyaukme, Kyaukme-Hsipaw, and Hsipaw-Lashio. Of the remaining six on that route, the MNDAA fully controls the Lashio-Hseni and Hseni-Kutkai sections. The rest of the sections are under shared/negotiated control by the MNDAA, TNLA, KIA, and 3BHA [See ISP-M2026-026]. Therefore, the MNDAA controls the highest number of highly critical road sections along the Myanmar-China trade route. Hseni, a town central to northern Shan State's trade and economy, together with Kutkai, now under MNDAA control, gives the group a significant strategic advantage.

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

At the time of the study, there were no less than 40 tax-collection gates, toll gates, and checkpoints along the Myanmar-China border trade routes. Among them, the highest number of taxation gates and checkpoints is on the Mandalay-Lashio-Muse Union Highway, the primary route for Myanmar-China trade. Many of the gates were controlled by MNDAA and MAF. Looking at the control by road segment, the MAF controls the taxation gates and checkpoints from Mandalay to Lashio on the Nawnghkio-Kyaukme-Hsipaw-Lashio route. On the Hsipaw–Lashio segment, both the MAF and the MNDAA operate checkpoints. Although the MAF has regained control of Hsipaw and Lashio, their control appears limited largely to the town's area. The MNDAA gates also exist from Lashio up to the Muse 105-Mile border trade zone near the Myanmar-China border.
Along the entire trade route segment, the MNDAA exerts territorial dominance and collects taxes. The 105-Mile trade zone border zone is controlled by the 3BHA, while the remaining border trade gates along the entire Hseni-Chinshwehaw route are controlled by the MNDAA [See ISP-M2026-027].

There are also taxation gates and checkpoints controlled by armed groups on alternative routes in northern Shan State, as well as newly utilized routes that cross from northern Shan State to southern Shan State. On the Lashio-Mongyai and Lashio-Tangyan segments of the Mandalay-Ywangan-Kyethi-Lashio route, both the MNDAA and the MAF collect taxes and have set up gates. These routes are alternative routes connecting Mandalay and Taunggyi. However, due to the rapidly changing nature of the gates, there are limitations in obtaining the exact number of gates on these routes.

Armed Groups' Control Along Myanmar–China Trade Route

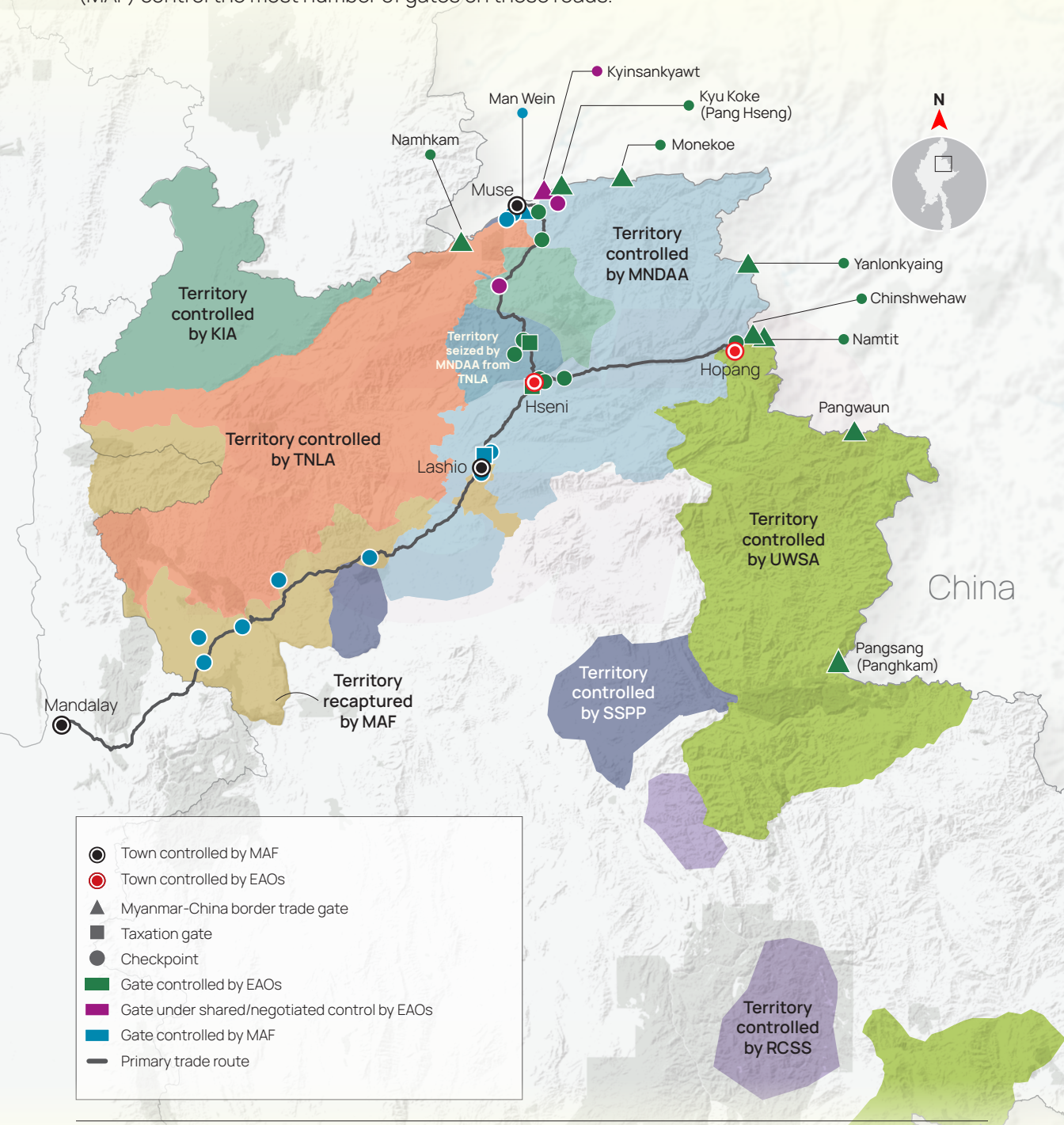
The main Mandalay–Lashio–Muse corridor for Myanmar–China border trade is controlled by a mix of armed actors, including the Myanmar Armed Forces (MAF), the Myanmar National Democratic Alliance Army (MNDAA), the Kachin Independence Army (KIA), and the Three Brotherhood Alliance (3BHA). The Hseni–Chinshwehaw route is controlled by the MNDAA. Since Operation 1027, the Nam Lan–Taunggyi and Nawnghkio–Lawksawk–Shwenyaung road segments have increasingly been used as alternative routes linking to southern Shan State.



Data as of April 7, 2026, is part of research conducted by ISP-Myanmar and is based entirely on open-source data. It may vary from other sources due to differences in methodology and data availability.

Taxation Gates and Checkpoints Along the Myanmar–China Trade Route

At least 40 toll gates, taxation gates and checkpoints on the Myanmar-China border trade route. The highest number of gates located on the Mandalay-Lashio-Muse Union Highway. The Myanmar National Democratic Alliance Army (MNDAA) and the Myanmar Armed Forces (MAF) control the most number of gates on these roads.



Data as of April 7, 2026, is part of research conducted by ISP-Myanmar and is based entirely on open-source data. It may vary from other sources due to differences in methodology and data availability.

4.4 Findings on Mineral Mines

There are no less than 31 mining sites found in northern Shan State. Among them, domestic companies have obtained permits to operate 26 mining sites. The companies mining the remaining five sites are unknown. Currently, mining continues in 24 sites, while the mining status of the remaining sites is unknown. Of the 31 sites, coal mines are the most prevalent, followed by lead and then gold. In Hsipaw township, there are no less than seven mining sites, which is the highest number by township. Coal is extracted from five sites in Hsipaw, and gypsum is extracted from the remaining two.

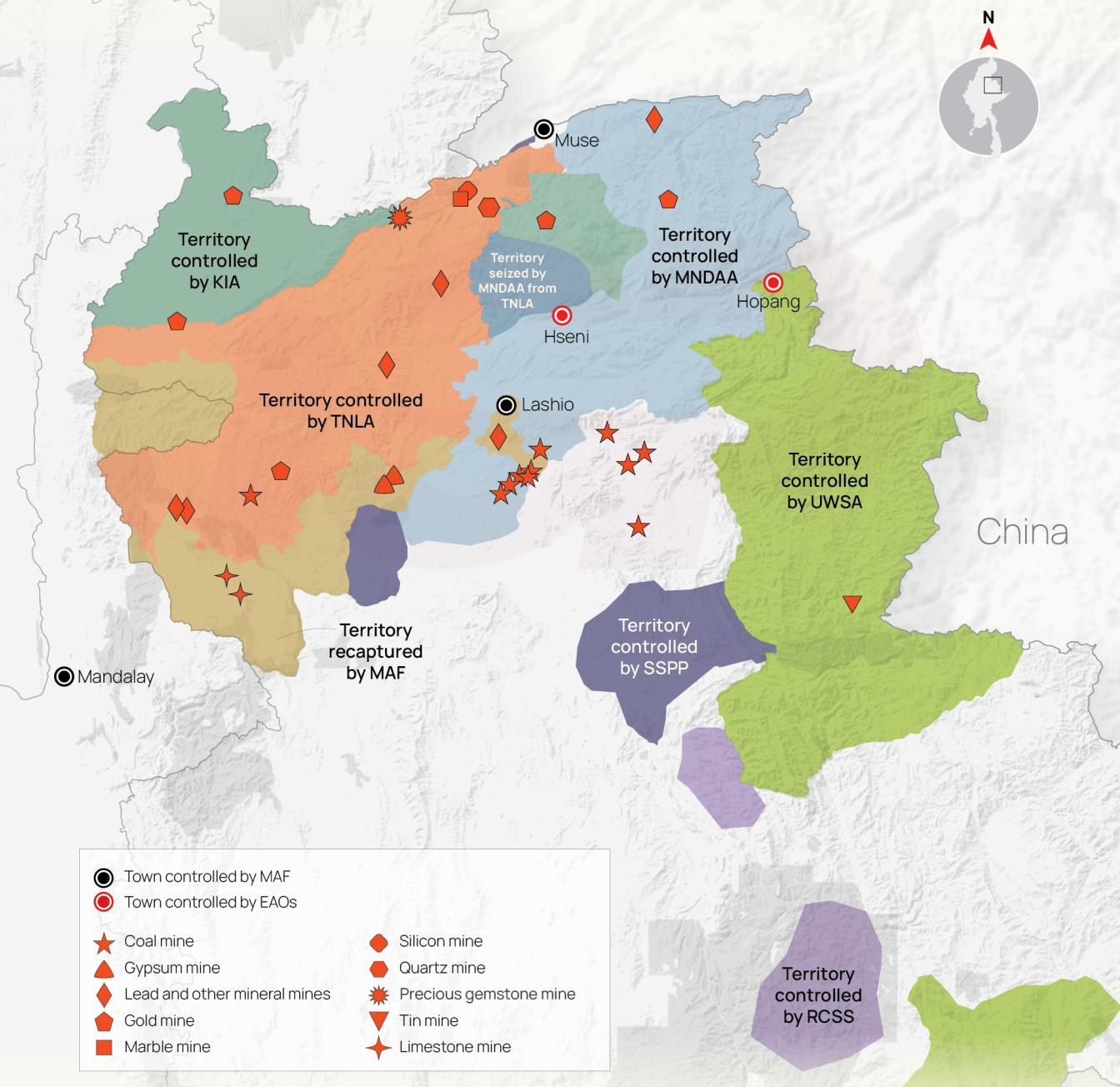
Regarding control of the mining sites, the MAF fully controls 10 sites (32 percent). These sites are located in Tangyan, Nawnghkio, Hsipaw, and Lashio townships, where coal, limestone, lead, gypsum, and silver are mined. The MAF controls at least four coal-mining sites in Tangyan Township, where UWSA forces are also active. Additionally, the TNLA fully controls nine sites (29 percent) **[See ISP-M2026-028]**. From the TNLA-controlled sites, lead, silver, gold, silicon stone, marble, zinc, copper, quartz, coal, and precious gemstones are being mined. These sites are located in Namtu, Kyaukme, Namhkam, and Mantong townships. The KIA forces frequently operate in the Baw Ho Kyant mine area controlled by the TNLA. Regarding mining operations, these two armed groups had disputes in 2024.

On the other hand, the MNDAA fully controls eight sites (nearly 26 percent). The majority of the mining sites controlled by the MNDAA consist of coal mines and are located in the Nam Ma village tract of Hsipaw township, where the SSPP/SSA forces are also active. In early 2025, armed conflicts broke out between the MNDAA and the SSPP/SSA over control of this coal mine. Currently, the MNDAA continues to control and transports the extracted coal to China via the Hseni-Kunlong-Chinshwehaw road. Among these, 15 mining sites were classified as high and medium criticality. The two highly critical sites are the Namtu mine controlled by the TNLA and the Man Maw mine controlled by the UWSA.

The Man Maw mine is one of the world's largest tin-producing sites. Myanmar accounts for nearly 11 percent of global raw tin output each year, and the great bulk of that comes from Man Maw. Therefore, the UWSA and TNLA control the mines that meet all three criteria: economic importance, crucial status as resources for neighboring China, and importance for the global supply chain. Regarding mining sites of medium criticality, the MNDAA fully controls six sites, the TNLA and KIA control three each, and the MAF controls one.

EAOs Control 21 of 31 Mining Sites in Northern Shan State

Northern Shan State has **no fewer than 31** mining sites producing **at least 12** types of natural-resource minerals, including lead, silver, coal, and gold. Of these, the Myanmar Armed Forces (MAF) controls **10 sites**, while the remaining **21** are controlled by Ethnic Armed Organizations (EAOs). Among the EAO-held sites, **nine** are controlled by the Ta'ang National Liberation Army (TNLA), **eight** by the Myanmar National Democratic Alliance Army (MNDAA), **three** by the Kachin Independence Army (KIA), and **one** by the United Wa State Army (UWSA).



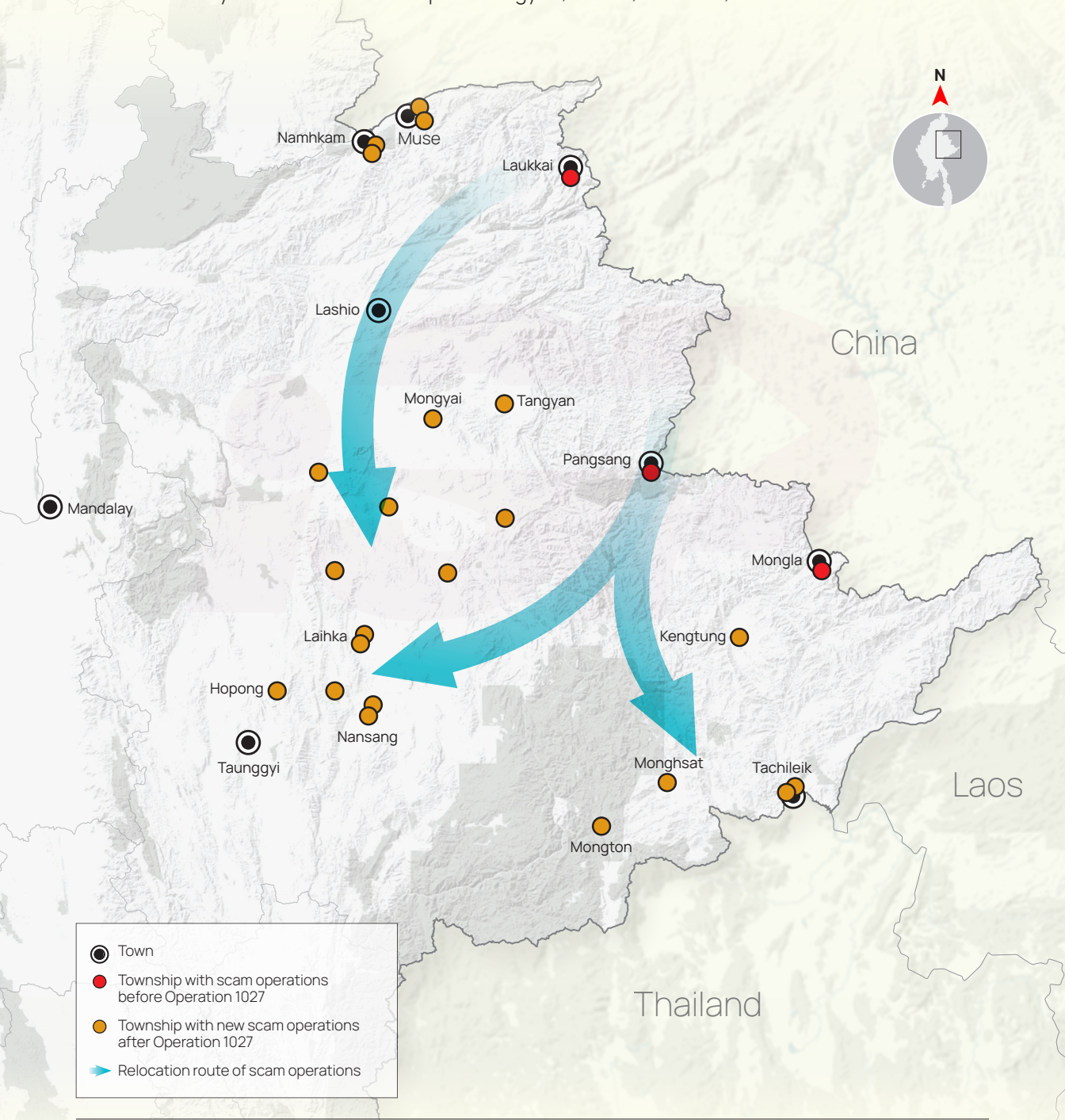
Data as of April 7, 2026, is part of research conducted by ISP-Myanmar and is based entirely on open-source data. It may vary from other sources due to differences in methodology and data availability.

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

On October 27, 2023, the Three Brotherhood Alliance (3BHA), along with their allied forces, launched the military offensive Operation 1027. The 3BHA stated the military objectives of Operation 1027 were to combat *Kyar Phyant* (online scam) operations, assert their right to self-defense, maintain control over their territory, and ultimately eradicate oppressive military rule. As a result of this operation, the MAF suffered unprecedented military and territorial losses, allowing the 3BHA to expand its territorial reach. Although subsequent Beijing's intervention led to a ceasefire, enabling the MAF to regain towns such as Lashio and Mogok, the operation concluded with some goals left unfulfilled. In the aftermath of the operation, the *Kyar Phyant* (online scam) operations that previously grew extensively in the Kokang region and the "Wa" Self-Administered Zone have relocated and spread to southern and eastern Shan State. For example, *Kyar Phyant* operations are most commonly found in Tangyan, Laihka, and Tachileik townships. These operations are also being carried out extensively in MAF-controlled Muse. According to open-source data, *Kyar Phyant* operations have been identified in at least 17 townships in Shan State. At least 25 operations remain active. [See ISP-M2026-029].

Kyar Phyant Operations Shift to Southern and Eastern Shan State

Following crackdowns on *Kyar Phyant* online scam operations in northern Shan State—particularly within the Kokang region and the Wa Self-Administered Zone—after Operation 1027, many of these scam operations relocated to southern and eastern Shan State. They are now most commonly found in the townships of Tangyan, Laihka, Tachileik, and Muse.



Data from January 1, 2023 to April 7, 2026, is part of research conducted by ISP-Myanmar and is based entirely on open-source data. It may vary from other sources due to differences in methodology and data availability.

5

Conclusion

Within northern Shan State, the process of conflict de-escalation driven by economic incentives has achieved discernible progress. To manage the broader Myanmar crisis, China is currently operating under a three-pronged strategic framework: (1) de-escalating the conflict, (2) concluding military rule via elections, and (3) spearheading post-election mediation efforts. Given the ongoing deficits in both the legitimacy and capacity of the Min Aung Hlaing administration, China's overarching influence and mediatory role remain indispensable for reducing conflict in northern Shan State.

However, it is critical to recognize that this region has previously endured the detrimental legacy of "ceasefire crony capitalism" throughout the 1990s. Drawing lessons from this history, securing long-term economic dividends for the public and regional development requires actively avoiding—or rigorously minimizing—conflicts driven by territorial control, resource extraction, and the intersecting interests of neighboring countries. Particular caution must be exercised to avert inter-ethnic conflicts. Ultimately, to mitigate and halt the ongoing hostilities in northern Shan State, economic interests and incentives must be systematically transformed into constructive avenues for peace. China's mediating efforts to reduce and halt hostilities in northern Shan State have achieved discernible progress, including initiatives tied to economic incentives. Focus should be placed on transforming these into constructive opportunities for peace.

Adopting a joint management model for border trade routes and infrastructure could serve to reduce military competition. In tandem, the natural resource and mining sectors must transition from being conflict drivers to a "conflict-sensitive resource governance" framework that actively supports local socio-economic development. Directing revenue from these sectors toward local education,

- healthcare, and environmental conservation—rather than solely enriching conflict actors—can substantially alleviate prevailing inequalities and public grievances.

Most importantly, economic incentives are unlikely to yield sustainable stability if they remain disconnected from genuine political solutions. Consequently, economic cooperation initiatives must be aligned with political dialogues grounded in federalism and self-determination. Finally, enhancing the oversight and accountability roles of local communities and civil society organizations is a vital prerequisite. Only through such inclusive public participation can northern Shan State realistically transition from a battlefield into a peaceful and prosperous economic hub. ■

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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