

# **Civil War Tycoons:**

## **Explaining Rebel Group Entrepreneurism in Myanmar**

### **Abstract:**

Why do some rebel groups invest in large, capital-intensive businesses in the formal market whilst fighting the state during civil wars? While the literature has begun to zone in on the relationship between revenue sources held by rebel groups and their decisions, the curious case of rebel groups establishing capital-intensive formal businesses, such as large business groups or hydroelectric plants, is not well examined. To explain this puzzle, this paper argues that capital-intensive formal businesses owned by rebel groups are a key feature of symbiotic armed orders that arise from long-running civil wars. They are not established for financial gains but as a costly signal to credibly commit to a symbiotic armed order with the state in a hostile co-existence to fulfil a tactical necessity of the rebel group. I find support for this argument by comparing three rebel groups active in Myanmar – the RCSS and the KNPP – studied through 14 months of qualitative field research on the Thai-Myanmar border. The paper builds on semi-structured interviews with rebel elites and observation data from rebel-held strongholds on the Thai-Myanmar border.

**Keywords:** civil war economy, armed group businesses, armed orders, Myanmar, ceasefire

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## Introduction

“Every time a resident of Myitkyina or Waingmaw turns on the lights – including government employees – they are effectively helping to finance the war” against the Myanmar Military, also known as the Tatmadaw (Ye Mon 2019). In 2007, the Kachin Independence Organisation (KIO), a rebel group seeking greater autonomy in Myanmar, constructed a hydroelectric plant in Kachin State, electrifying parts of Kachin State (*Kachin News Group* 2008). The KIO continues to operate in Tatmadaw-controlled Myitkyina despite the ceasefire breakdown in 2011; its clients even include the Tatmadaw’s Northern Command (Ye Mon 2019).

It is well known that rebel groups operate illicit activities to fund their activities (Ahmad 2021; Freeman 2011; Roth and Sever 2007). However, like the KIO, rebel groups also run formal businesses that require large investments, or *capital-intensive formal businesses*, during civil wars. The United Wa State Army (UWSA) holds multiple stakes in the formal business sector, including *Air Thanlwin* and *Thawda Win Co. Ltd* (Sai Wansai 2019). Armed groups in Northern Ireland operated co-operatives, security firms, and taxi companies (Adams 1988, 215–16, 220–22), while the Barisan Revolusi Nasional Coordinate operates franchise minimarts in Southern Thailand (Helbardt 2015, 44). The RCSS operated *Shan Tanungdan Cherry*, a conglomerate company,<sup>1</sup> and the KNU operated *Thoolei Co. Ltd.*, which operated an internet service provider company and implemented a hydropower project in Karen State, Myanmar.<sup>2</sup>

Rebel groups’ operation of capital-intensive formal businesses is a puzzling affair. Operating capital-intensive formal businesses is a counter-intuitive behaviour that entails a high risk to rebel groups with unclear financial gains. They are financially risky as formal business operations require state guarantees in an environment rife with credible commitment problems. State actors have little incentive to honour settlements with rebel groups and may even find renegeing enticing to maintain the balance of power in their favour against rebel groups (Fearon 1995, 406–7; Walter 2009, 246; Sosnowski 2019). This means that rebel groups can lose their substantial investments in the formal sector at the state’s whim.

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<sup>1</sup> R-1. Interviewed by author. Loi Tai Leng, August 2022.

<sup>2</sup> KNU2. Interviewed by author. Mae Sot, Thailand, January 2023.

Moreover, as capital-intensive formal businesses require substantial resources and time to generate profit, rebel groups establishing capital-intensive formal businesses may simply burn cash on an uncertain investment at the whim of the state. This is an unnecessary risk for rebel groups as they can maintain a diverse portfolio of revenue-generating operations in the informal sector (Mampilly 2011, 14; Radtke and Jo 2018). They have little reason to engage in a high-risk investment in the formal sector in precarity with uncertain gains.

Yet, some rebel groups still engage in capital-intensive formal business operations. *Why do some rebel groups establish capital-intensive formal businesses in the formal business sector while continuing to fight the state during civil wars?* Despite the advancements in studies of rebel group behaviour, this question has not been well addressed by the existing literature.

To address this gap, I argue that rebel groups establish capital-intensive formal businesses to credibly commit to a cooperative relationship with the state during civil war while retaining the ability to compete against them at the same time. They act as a costly signal for rebel groups to signal their intent to maintain their cooperative relationship with the state, ensuring that the relationship does not degrade into open hostilities. At the same time, capital-intensive formal business allows rebel groups to maintain their position as challengers to the state, continuing to recruit, govern, and clash with the state. Distinct features of capital-intensive formal businesses as what I call *constant costly signals* enable simultaneous cooperation and competition. Capital-intensive formal businesses continue to emit costly signals to the state as rebel groups incur substantial costs to establish and maintain them in the formal market.

Rebel groups' intent to compete and cooperate simultaneously with the state generates a distinct armed order that I call a *symbiotic armed order*: a relationship where state actors and rebel groups co-exist and engage in cooperative behaviour whilst continuing to clash with one another militarily at the same time. This relationship is marked by the state's intent to incorporate the rebel group by moderating the level of violence between them and the rebel groups' active resistance to it despite welcoming the lull in violence.

This argument is supported by comparing the experiences of the two autonomy-seeking Ethnic Armed Organisations (EAOs) in Myanmar between 2011 and the 2021 Military Coup: The Restoration Council of Shan State (RCSS) and the Karenni National Progress Party (KNPP). A

comparative study was done to understand why some rebel groups run capital-intensive formal businesses despite potentially high political and economic costs. Close to 100 interviews collected through a 14-month fieldwork on the Myanmar-Thai border from March 2022 to August 2023 were used as primary data for analysis.

Cases are selected on (1) the variation over the dependent variable – establishment of capital-intensive formal business by rebel groups that signed ceasefires with the state – and (2) accessibility limitations. The RCSS established and attempted to operate capital-intensive formal businesses during their ceasefire period. The KNPP, a control case, did not do so. These cases were selected strategically because of limited research accessibility in Myanmar. Renewed heavy fighting and extreme violence against civilians by the Tatmadaw confined the research process to EAOs accessible from the Myanmar border. This was done to ensure that individuals were not exposed to greater risk to their safety for aiding or participating in this research.

The findings of this paper contribute to the emerging literature on post-ceasefire politics and civil war economies. First, I contribute to the emerging literature on political orders that arise during civil wars (Mukherjee 2014; Chalermripinyorat 2020; Staniland 2021; Waterman 2021a). The findings of this paper call attention to different post-ceasefire pathways created by the interaction between the state and rebel groups. Strategic interactions by belligerents to either incorporate one another, or resist such incorporation, can produce different types of ceasefires. Taking state-rebel group interactions seriously allows us to understand why some ceasefires end armed insurgency while other ceasefires resemble a situation where there is neither peace nor war.

Further, I also engage with the ongoing research on civil war economies that zone in on the patterns of rebel group revenue-generating operations (Wennmann 2007; Kubota 2020). By examining how rebel groups participate in the formal market for different intentions, this paper reasserts that economic activities by political actors are seldom driven by material interests alone. Instead, they can have strategic utilities that may go beyond profits.

The argument of this paper will unfold as follows: First, I review the existing literature to demonstrate the knowledge gaps revealed by the puzzle that this paper aims to explain. Then, I propose a theory that demonstrates the need for constant signals for credible commitment to the state's symbiotic armed order and the utility of capital-intensive formal businesses as one method

for rebel groups to credibly commit to symbiotic armed orders with the state. The argument is substantiated by findings from the comparative case study of the RCSS and the KNPP.

## **The existing literature on rebel group economics**

The existing literature has yet to conceptualise formal business operations as a part of rebel group economic activities. It also does not fully explain rebel group operations of high-risk formal businesses that are very likely to make financial losses.

The focus of scholarly attention in studying rebel finances largely overlooked rebel groups' participation in the formal market. The literature on non-tax financial resources for rebel groups has mostly concerned the debate over the relationship between rebel groups' primary financial resources and their wartime behaviour. On the one hand, the scholarship zoned in on predatory behaviour by rebel groups that rely on lootable goods (Ross 2006, 292; Weinstein 2007; Daxecker and Prins 2017; Sarkar and Sarkar 2017; Fortna, Lotito, and Rubin 2018; Haer, Faulkner, and Whitaker 2020). On the other hand, another stream of literature refuted the relationship between rebel groups' financial resources and their behaviour by highlighting the diverse nature of rebel group revenue portfolio (Wennmann 2007; Kubota 2020, 2) and their capacity to manage revenue streams to maximise their gains (Anderson and Worsnop 2019; Hinkkainen Elliott and Kreutz 2019; Marks 2019; Krauser 2020). Yet, the emerging research on rebel finances has not fully conceptualised rebel groups' formal business operations as a part of their economic activities despite the existence of rebel group-operated formal businesses (Adams 1988, 215–16, 220–22; Silke 2000, 109; Vittori 2011, 73; Helbardt 2015, 44). As a result, we have little analytical understanding of why rebel groups commit financial resources to risky economic enterprises with uncertain gains.

The emerging research on armed orders offers some leverage to understand rebel groups' participation in the formal market as a part of armed order-making. *Armed order* literature zoned in on the state's preference to co-opt and co-exist with rebel groups in a relatively stable armed order where there is at least passive cooperation between the state and rebel groups (Staniland 2021). In such orders, the state is disinterested in a swift military victory against a rebel group and

opts to contain the insurgency through limited fighting (Staniland 2021, 4–5; Waterman 2021b), and a ‘live and let live’ arrangement may be formed and managed as neither side poses a serious threat to the other (Mukherjee 2014, 173; Thakur and Venugopal 2019; Staniland 2021, 5; Waterman 2021a). Armed orders are shaped through *armed politics*, or political engagement between armed political actors, within a state (Staniland 2017, 2). The state may maintain armed orders by rewarding rebel groups subscribing to armed orders with the state while suppressing those that do not. Economic incentives, such as access to natural resource extraction or granting business rights, are offered to entice rebel groups into the state’s political order (Keen 1998, 56; Levitt 2021, 730; Global Witness 2015, 91).

While armed order literature offers strong foundations to understand the conditions in which rebel groups’ formal market participation and capital-intensive formal business establishment, it nonetheless leaves more questions than answers. First, understanding rebel groups’ formal market participation only as tools of co-optation does not explain the risky nature of capital-intensive formal business operations for rebel groups. Capital-intensive formal businesses are high-risk enterprises requiring substantial financial investments with uncertain gains. The lack of immediate payoff for rebel groups in establishing capital-intensive formal businesses means that material interests do not fully explain the phenomenon.

Second, the conceptual fuzziness between types of armed orders makes it difficult to understand what type of armed order is necessary for states to condone formal economic activities by rebel groups. Notably, while Staniland (2021)’s work is an important milestone in studying armed orders that appear during civil wars, it does not provide a clear picture of what armed orders that lie between explicit alliances and hostilities look like. To Staniland, the level of hostilities and cooperation are the key factors in distinguishing *containment* and *limited cooperation*, types of armed orders that enable a varying degree of cooperation without a full cessation of violence. Containment involves “relatively little violence and frequently accompany sustained campaigns of peripheral insurgency, with sporadic offensives and comparatively limited combat.” (Staniland 2021, 4) On the other hand, *limited cooperation* does not “see significant attacks by either side, and military forces are kept apart” and is maintained by either formal or informal understanding between the state and rebel groups to create a degree of collusion (Staniland 2021, 5).

Contrasting the two types of armed orders while digging deeper into their contexts makes it evident that these two orders are not only difficult to distinguish but also are limited in explaining simultaneous cooperation and competition. For instance, the level of violence remains substantial in instances of Staniland(2021)'s limited cooperation armed orders. While the RCSS was coded as engaging in a limited cooperation armed order during its ceasefire period with the Tatmadaw (Staniland 2020), the RCSS clashed with the Tatmadaw on 68 occasions in 2012 and 86 occasions in 2013 (Burma News International 2014, 8). Cooperation can also exist without being engaged in limited cooperation. The KIO, who are considered to have developed a containment armed order since 2012 (Staniland 2020), continues to supply electricity to Tatmadaw-controlled Kachin State, including to the Tatmadaw Northern Command (Ye Mon 2019). The fuzzy boundary between containment and limited cooperation means that the existing armed order framework struggles to capture the simultaneous performance of violence and cooperation by the state and rebel groups during civil war. More importantly, it doesn't explain when and how capital-intensive formal businesses – a form of cooperation between the state and rebel groups – may appear without formal peace.

## **Explaining risky rebel group investment behaviours**

I build on the answers provided by the existing literature and the questions left unanswered to forward a theory on the strategic utility of establishing capital-intensive formal businesses for rebel groups at war and the conditions in which they appear. To this end, I argue that rebel groups establish capital-intensive formal businesses to credibly commit to a cooperative relationship with the state during civil war when they expect continued armed tensions in that relationship. Capital-intensive formal businesses act as a costly signal for rebel groups to signal their intent to maintain their cooperative relationship with the state, ensuring that the relationship does not degrade into open hostilities.

The combination of state-rebel group expectations from moderating the level of violence between them and rebel groups' use of capital-intensive formal business as a costly signal for credible commitment produces a distinct armed order that I call a *symbiotic armed order*: a stable relationship where state actors and rebel groups co-exist and engage in cooperative behaviour

whilst continuing to clash with one another militarily at the same time. Features of capital-intensive formal businesses as a costly signal compared to other means to signal credible commitment allow rebel groups to cooperate and compete with the state simultaneously.

### **Symbiotic armed orders as ‘coopetitions’**

A symbiotic armed order is a state of political equilibrium where the two belligerents compete militarily while cooperating in some areas simultaneously, co-existing with reduced concern for total military defeat. In other words, they are *coopetitions*, as described in the business management literature, that occurs in the political sphere (Bengtsson and Raza-Ullah 2016; Dorn, Schweiger, and Albers 2016). In coopetitions, firms in cooperative relationships compete and cooperate at the same time in different business segments (Bengtsson and Kock 2000; Raza-Ullah, Bengtsson, and Kock 2014). The promise of sharing pooled resources or complementing comparative advantages may lead competitors to cooperate in different areas (Tidström 2009).

Accumulated research on armed orders provides some key vignettes on features of symbiotic armed orders. Belligerents in symbiotic armed orders operate under a mutual, sometimes even tacit, understanding to regulate the magnitude of violence between them despite continued hostilities (Staniland 2021, 5). Reducing the level of violence allows rebel groups and states to co-exist in a hostile environment. Governance and institutions can either be shared by the state and rebel groups or co-exist peacefully in parallel institutions (Kasfir, Frerks, and Terpstra 2017, 264; Thakur and Venugopal 2019). The state may even rely on non-state actors to provide core government functions (Menkhaus 2007, 103). This relationship can arise either from tacit understandings or through formal settlements, such as ceasefires (Staniland 2021, 5).

Violence thrives in symbiotic armed orders despite co-existence and cooperation in compartmentalised areas. While symbiotic armed orders aim to mitigate violence at a manageable level by the two belligerents, it is uninterested in ending violence (Staniland 2012, 247; Chalermripinyorat 2020, 86). Belligerents engaging in symbiotic armed orders can still make use of military force as a tool of politics despite arrangements to moderate violence to avoid returning to open war.



Indeed, violence has instrumental characteristics that go beyond ensuring group survival and defeating the opposition. For instance, belligerents perform violent activities to bolster their control over key resource extraction areas (Krauser 2020). They can also initiate armed clashes to bring about greater material support from external patrons (Boutton 2019). Intermittent armed clashes can also be useful to instigate retaliation from the opposition and justify the existence of armed political actors in domestic politics (Keen 1998, 22), or to maintain an armed order by resisting the other side's attempt to reshape the armed order in their favour (Waterman 2021b). In short, although the level of violence is managed by the two parties to avoid open war, violence in symbiotic armed orders continues to hold its instrumental value for belligerents.

Therefore, a symbiotic armed order is a distinctive armed order uncaptured by Staniland (2021)'s typology of armed orders. Like limited cooperation armed orders (Staniland 2021, 5), symbiotic armed orders are arrangements where belligerents are focused on maintaining the armed politics that arose through civil war and do not shy away from cooperating to do so. At the same time, unlike limited cooperation armed orders, violence is still perpetrated at a meaningful level by all belligerents, more like containment armed orders (Staniland 2021, 4). Put differently, symbiotic armed orders are distinct political equilibria created by armed politics: while the two belligerents may tolerate co-existence and cooperate in certain areas, continued performance of violence lies at the heart of symbiotic armed orders as neither states nor rebel groups shy away from utilising violence as an instrument of politics.

Symbiotic armed orders in civil wars arise because of dynamic negotiation of the state and rebel groups, either through talk or force, to maximise their gains from moderating the level of violence between them. They arise when there is a mutual interest between the state and the rebel group to moderate the level of violence but when they diverge on expectations over continuing armed politics (see Table 1). For the sake of theory generation, I hold the state's intent constant and assume that a) the state wishes to moderate the level of violence with rebel groups while b) aiming to incorporate the rebel group to end the insurgency.

**Table 1: State-rebel group interaction and resulting armed orders**

		<b>Rebel groups' priority on continuing armed politics</b>	
		<b>Rebel group aims to terminate armed politics</b>	<b>Rebel group aims to continue armed politics</b>
<b>Mutual interest in moderating the level of violence</b>	<b>High</b>	<b>Incorporative limited cooperation</b> (towards incorporation through negotiation)	<b>Symbiotic armed order</b> (coopetition; state attempt to incorporate is resisted by rebel group)
	<b>Low</b>	<b>Total war</b> (pursuing total military victory)	<b>Hostilities</b> (open war)  <b>Containment</b> (stalemate in prolonged war)

Once the state communicates its interest in moderating the level of violence with the rebel groups, rebel groups either accept or refuse it depending on their strategic necessity. For rebel groups, the strategic utility of moderating the level of violence with the state is that it allows belligerents to regulate the level of violence to maximise the likelihood of group survival. While belligerents may have different ideologically driven war goals (Staniland 2021), they often prioritise pragmatic decisions to ensure the group's survival in the most favourable way possible. Indeed, talk often remains at talking for civil war belligerents (Christia 2012, 240). Ideological considerations are often eschewed for more pragmatic considerations of security and survival. Following the same logic, belligerents may find that pursuing co-existence with the state with a live-and-let-live attitude may be the stable political outcome for belligerents over a prolonged death match (Mukherjee 2014). Also, belligerents may need to recuperate from war weariness or the need to stabilise relations with one enemy to focus their military capacity against another (Staniland 2021, 44). Alternatively, rebel groups may simply hope to end the conflict with the state and seek a path towards a negotiated settlement to the war.

If the rebel group agrees to moderate the level of violence with the state, variation in armed orders is made by how the two belligerents intend to navigate the relationship to their benefit. If the state aims to incorporate the rebel group by moderating the level of violence, most often

through an offer of a ceasefire, rebel groups must calibrate their approach to the state's ceasefire offer given their strategic opportunities and constraints. They do so to produce a favourable outcome by committing to a ceasefire.

Rebel groups have two options. On the one hand, they can aim to end armed politics by moderating the level of violence, ultimately leading to incorporation into the state. Rebel groups may find that productively engaging with the state may be the best way to end the war while maximising their gains. For instance, they may face a decreasing likelihood of surviving the war as they exhaust resources and increasingly face dissent from local constituents suffering from war weariness. In other words, their bargaining power against the state to gain from the war decreases as the war drags on. In such cases, it is in the rebel group's best interests to seek a negotiated exit to the war while they have some bargaining power. Rebel groups in this position must uphold the terms and conditions behind moderating the level of violence to make sure that the discussion with the state is productive and does not relapse into war.

The outcome of this decision is the gradual incorporation of the rebel group into the state, developing a limited cooperation armed order that decays the group's capacity to operate as an armed political actor. Here, fighting is minimised while the rebel group prepares to relinquish their administrative and fighting capacity through continued peace negotiations. The ultimate trajectory of these armed orders is what Staniland (2021, 7) calls *incorporation*, or demobilisation of the rebel group as a part of an agreement reached with the state. This process entails a steady decay of rebel groups that makes breaking away from this trajectory difficult for rebel groups and allows the state to win by the process of negotiation (Bertrand, Pelletier, and Thawngmung 2022).

On the other hand, the rebel group may resist the state's incorporation attempt and continue to foster their capacity to operate as an armed political actor, ultimately developing a symbiotic armed order with the state. They may have untapped opportunities to increase their bargaining power against the state by amassing greater resources, recruiting an enhanced fighting force, or conquering neighbouring armed groups to expand their territory. Rebel groups in such circumstances have nothing to gain and everything to lose from seeking a negotiated exit from the war in the short run. They will opt to improve their bargaining position in the long run by capturing untapped opportunities to maximise their bargaining power. This mismatch between the rebel

group and the state's mutual interest in moderating the level of violence against one another and the rebel group's intent to continue armed politics develop a symbiotic armed order between them.

### **Capital-intensive formal businesses as constant costly signals**

Rebel groups that resist the state's incorporation attempt face a dilemma in continuing armed politics while moderating the level of violence with the state. The inherent contradiction in pursuing simultaneous cooperation and competition makes credible commitment to the relationship difficult. For instance, since such relationships do not necessarily end military clashes, belligerents must signal their commitment to moderating the level of violence with the state every time battles occur. Otherwise, they risk a breakdown of a symbiotic armed order and a return to hostilities or even total war – highly undesirable outcomes for rebel groups that wish to maintain a lull in violence with the state.

Symbiotic armed orders require a distinct means to send costly signals because of the contradictory nature of its features. The marginal effect of credible commitment signals decreases as they are reneged and repeated. Reputational costs exist in breaking an agreement, no matter how tacit the agreement may be. Reputation for cheating or constantly engaging in dishonest transactions is punished by the other side by denouncing the cheater as a dishonest player (Wu, Balliet, and Van Lange 2016), leading to reduced transaction volume and value (Diekmann et al. 2014).

Such reputation costs also exist for violating negotiated terms during the conflict (Gibler 2008; Sticher 2021). Vacating fighters from a strategically valuable hill may be a strong costly signal if it is done once or twice. However, excessive repetition of it runs the risk of rebel groups looking disingenuous in their commitment (Wiehler 2021, 431). What is more, such means to credibly commit often involve decreasing the belligerent's military capacity by partially disarming, sharing information on their strength, or giving up strategic positions.

What is more, the degree of this problem impacts rebel groups at a greater scale. For state actors, the resources spent on sending and re-sending various types of costly signals, including signals that handicap their capacity, are relatively more affordable as they yield greater military

capacity (Jordan 2021; Reich 2022). For rebel groups, the burden of making repeated costly signals is much higher as they often lack the resources to afford repeated costly signalling.

Therefore, rebel groups need to identify and deploy a costly signal that stays effective over time and repetition, or what I call *constant costly signals* that can credibly commit to the state's offer to moderate the level of violence. Constant costly signals communicate the signal sender's credible commitment to the receiver by first accruing a substantial sunk cost at the beginning of the interaction. Then, it continues to generate costs to the signal sender indeterminately to continue to display the sender's credible commitment. Put differently, these types of signals have an instalment cost that continues to be paid after paying the initial sunk cost (Quek 2021).

Such signals become signs of credible commitment through a mutual understanding between the sender and the receiver that they are expressions of credible commitment. Indeed, What political actors deem feasible and meaningful is bounded by their understanding of reality (Doty 1996; Pouliot 2008). Thus, what different signals mean should be understood by all parties involved in generating and maintaining interaction between them to be effective (Gilady 2018, 37).

There are multiple examples of constant costly signals in and out of politics. Premodern states, such as the Roman Republic, frequently engaged in hostage politics to ensure credible commitment in diplomatic agreements (Thijs 2016, 204). New religious members commit to mandatory rituals and continue exercising them to access club goods of joining a religious community (Sosis 2003). Seasoned gang members often wear gang tattoos in difficult-to-conceal areas as a signal of their commitment to the gang that is not only hard to fake but also publicly displayed permanently (Densley 2012, 314).

Likewise, establishing a capital-intensive formal business can be a strategic option for rebel groups to make constant costly signals to display their credible commitment to moderating the level of violence with the state. Making a large investment as sunk costs is a costly act that signals the rebel group's credible commitment to the state. Subsequent investments occurring in state-controlled areas to maintain business activities serve as instalment costs as rebel groups operate formal businesses that are held hostage to state surveillance and regulation. By doing so, rebel groups demonstrate that they are committed to avoiding a return to open warfare with the state by continuing to sink resources into a scheme that hinges on the continuation of that arrangement.

The rebel group's capital-intensive formal business formation maintains the cooperative relationship between them and the state, developing a symbiotic armed order. Being constant costly signals, capital-intensive formal businesses stand as a minimum safety bar for rebel groups to assure the state that they are still committed to moderating the level of violence with the state. As the two belligerents engage in continued armed clashes, repeatedly renege on their agreement to reduce the level of fighting, substantial participation in the formal economic sector remains one of the few, if not only, arrangements between them that remain in place.

**Figure 1: Map of EAO areas of operation in Myanmar, 2014 (Burma News International 2014, 45)**

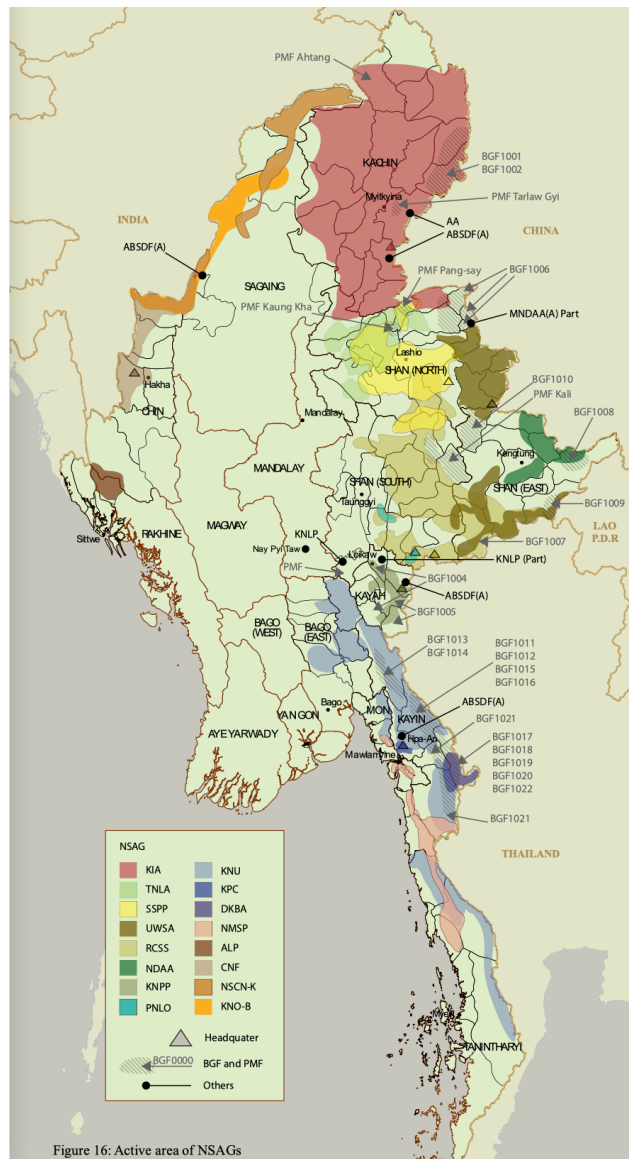


Figure 16: Active area of NSAGs

## **Evidence from the 2011-2021 ceasefire regime in Myanmar**

I find support for this argument by examining the 2011-2021 ceasefire regime in Myanmar, zoning in on the RCSS and the KNPP's ceasefires with the Tatmadaw (otherwise known as the Myanmar Military). The two groups found two different approaches to the ceasefire and on the level of their participation in the formal market. As a result, the RCSS and the KNPP developed two different armed orders from their ceasefires: while the RCSS developed a symbiotic armed order with the Tatmadaw, the KNPP developed an incorporative limited cooperation armed order.

Myanmar spiralled into a civil war with multiple armed insurgencies since its independence. The Karen National Union initiated an armed uprising in 1949 with a separatist mission (Smith 1999, 138). Karenni State, which also saw a separatist armed struggle within the state, had the Karenni National Progressive Party established in 1957 as a revolutionary wing of the armed uprising in Karenni State (Kramer, Russell, and Smith 2018, 16). A separatist uprising also began in Shan State in 1958, eventually forming the Shan State Army in 1964 (Yawnghwe 2010, 18–19). The Shan State Army-South, a splinter faction of the Shan State Army that later reshuffled into Gorn Jerng and Khun Sa's Mong Tai Army, renewed its insurgency in Shan State after the Mong Tai Army's surrender in 1995 (Smith 1999, 447). They established RCSS in 1999 as its political wing (Jirattikorn 2011, 25).

After decades of conflict between various EAOs and the Tatmadaw, the Thein Sein government's political liberalisation facilitated a change in armed politics between the Tatmadaw and EAOs from hostilities to greater cooperation. The Thein Sein government identified the conclusion of the civil war in Myanmar as a major policy objective for its term (Ruzza 2015, 90). They aimed to minimise the disturbances caused by war to foster greater political liberalisation and economic growth (Bertrand, Pelletier, and Thawngmung 2022, 86). At the same time, it was becoming clear through the decades of counter-insurgency activities against the EAOs that the Tatmadaw were unable to achieve total military victory in Myanmar (Zaw Oo and Win Min 2007, 14). With these factors in the backdrop, the Thein Sein government offered ceasefires to EAOs so that they could moderate the conflict between them, enticing the deal with at least a nominal promise of political dialogue to end the war (Bertrand, Pelletier, and Thawngmung 2022, 89).

## RCSS: ceasefire as strategic manoeuvring

The Thein Sein government's attempt to moderate the level of violence between the Tatmadaw and EAOs came at the most opportune time for the RCSS, who faced substantial military pressure from the Tatmadaw and the UWSA, a rival EAO, before the 2011 bilateral ceasefire. In 2002, the Tatmadaw overran an RCSS base in Piang Luang, the old headquarters of SURA.<sup>3</sup> In 2005, Loi Tai Leng, the current RCSS headquarters, was under siege by the UWSA and the Tatmadaw. Allegedly, the RCSS only managed to survive the siege of Loi Tai Leng by receiving weapons and ammunition from Thailand.<sup>4</sup> What was more, the RCSS' relations with the Shan State Progress Party (SSPP), a rival Shan EAO, soured as they attempted to expand towards the SSPP's area of operation.

Thus, the RCSS was in an acute need to reduce the number of fronts. Given the balance of power in Shan State that heavily favoured the Tatmadaw, the RCSS decided to stabilise relations with them.<sup>5</sup> An advisor to the RCSS reflected that Yawd Serk, the chairman of the RCSS, wanted a ceasefire to rebuild his army without provoking the Tatmadaw.<sup>6</sup> Indeed, as one senior RCSS officer who remembered the internal exchange on the viability of the ceasefire with the Tatmadaw explained:

There was a discussion on whether to accept or not accept the ceasefire. Many commanders didn't believe the ceasefire. Many thought it was a trap. 'Oh, why are we signing a ceasefire, no way, we have to continue fighting!' And so on. But our leader explained that we have fought for six decades, and we need to reconstruct our power. We had to recollect ammunition, weapons and so on. But we didn't trust the Tatmadaw. We just needed to rest.<sup>7</sup>

The RCSS, however, did not entirely trust the ceasefire process. They evaluated that the Tatmadaw aimed to weaken and incorporate EAOs into the state through the ceasefire. The RCSS perceived the Tatmadaw's history of inviting ceasefire EAOs into participating in the formal market as an attempt to subjugate EAOs under ceasefires. For instance, one senior RCSS officer

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<sup>3</sup> T2. Interviewed by author. Piang Luang, Thailand, June 2022.

<sup>4</sup> P2. Interviewed by author. Chiang Mai, Thailand, July 2023.

<sup>5</sup> R-C1. Interviewed by author. Chiang Mai, May 2022.

<sup>6</sup> R-A1. Interviewed by author. Chiang Mai, Thailand, April 2022.

<sup>7</sup> R-C2. Interviewed by author. Loi Tai Leng, May 2022.



argued that the purpose of the Tatmadaw's ceasefires and their concessions were aimed at pacifying the EAOs under Tatmadaw control:

The Tatmadaw always wants armed groups to do business. It's like they want you to have one leg in the jungle and one leg in the city. If leaders come into Rangoon, Mandalay and run businesses and live in a big house, then leaders would not want to come back to the mountains [...] Then you lose the connection between your soldiers and yourself. See, this happened to many armed groups.<sup>8</sup>

The combination of the RCSS' strategic motivation to agree to a ceasefire and the Tatmadaw's apparent aims to disarm and incorporate the RCSS sealed their approach to the ceasefire. For the RCSS leadership, the ceasefire with the Tatmadaw was to be strategic manoeuvring rather than a path to end the civil war in Shan State. Most interviewed RCSS officers neither trusted the Tatmadaw nor believed that the ceasefire could lead to genuine peace.<sup>9</sup> One RCSS officer reflected that RCSS elites knew beforehand that nothing would come out of the ceasefire.<sup>10</sup> Likewise, a brigade commander also expressed that the Tatmadaw "don't keep their promises, so accepting their terms is like losing [to them]."<sup>11</sup> A top-ranking RCSS officer also expressed that he only supported ceasefire talks to explore the true intentions of the Tatmadaw.<sup>12</sup> Indeed, an interview with another top-ranking RCSS officer revealed that the RCSS, although interested in continuing the political negotiations with the Tatmadaw, was preparing for the eventual breakdown of the peace negotiations:

**TOP-RANKING RCSS OFFICER:** For the RCSS, we need to prepare four things: prepare the constitution of Shan State affairs, prepare to lead Shan affairs and take the leading role, prepare the army to protect Shan State. If we cannot negotiate, prepare to take over. So those were three things, not four (laughs).

**AUTHOR:** Is the RCSS ready to fight and win?

**TOP-RANKING RCSS OFFICER:** This (the ability to fight and win against the Tatmadaw) is the main reason for us to prepare those three things. If we cannot talk, we

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<sup>8</sup> R-C1, R-BG1, and R5. Interviewed by author. Loi Tai Leng, May 2022

<sup>9</sup> R-BG1. Interviewed by author. Loi Tai Leng, May 2022; R-C2. Interviewed by author. Loi Tai Leng, May 2022; R3. Interviewed by author. Loi Tai Leng, May 2022; R-BG3 and R-C2. Interviewed by author. Loi Tai Leng, May 2022.

<sup>10</sup> R3. Interviewed by author. Loi Tai Leng, May 2022.

<sup>11</sup> R-BG1. Interviewed by author. Loi Tai Leng, May 2022.

<sup>12</sup> R-C4. Interviewed by author. Loi Tai Leng, May 2022.

will lead [Shan State] and fight.<sup>13</sup>

Accordingly, the RCSS ceasefire with the Tatmadaw did not seek to terminate the war with the Tatmadaw. Instead, they sought to moderate the level of fighting with the Tatmadaw for their strategic gains while planning to consolidate their position as a major armed political actor in Shan State.

In this context, establishing Shan Taungdan Cherry served as a strong costly signal for the RCSS to display their credible commitment to the Tatmadaw's ceasefire. The high likelihood of tensions and clashes between the two ceasefire parties was already written on the wall. The RCSS required a display of credible commitment that would remain despite continued tensions and clashes to avoid slipping back into open war.

Shan Taungdan Cherry was a capital-intensive formal business of the RCSS that was under the group's direct control. The company was formed immediately after the bilateral ceasefire in April 2012 to act as the public business wing of the RCSS.<sup>14</sup> Shan Taungdan Cherry had an impressive list of large-scale business proposals that qualify it as a capital-intensive formal business, such as agriculture, mining, tourism, road construction, and power distribution (Keenan 2013, 2). For these ventures, the RCSS requested 10,000 acres of land to the Tatmadaw.<sup>15</sup>

The cost of establishing the business involved both high lump sum costs and substantial instalment costs over time. The process of business registration alone was a financially crippling operation for the group. Corruption inherent in all levels of government in Myanmar meant that the RCSS had to spend astonishing amounts of money just to obtain a business license. The process of acquiring a business license necessitated repeated bribery for each level of the Myanmar government that the RCSS engaged with, paying off the entire staff.<sup>16</sup> Once the RCSS acquired the business license, maintaining that license also added financial stress to the group as they paid license renewal fees for business companies at an incremental scale, according to their size.<sup>17</sup>

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<sup>13</sup> R-1. Interviewed by author. Loi Tai Leng, August 2022.

<sup>14</sup> R-1. Interviewed by author. Loi Tai Leng, August 2022.

<sup>15</sup> P4. Interviewed by author. Chiang Mai, Thailand, April 2022.

<sup>16</sup> R-C1. Interviewed by author. Loi Tai Leng, May 2022.

<sup>17</sup> R-C1. Interviewed by author. Piang Luang, Thailand, June 2022.

Despite the high costs of establishing the business, Shan Taungdan Cherry did not become a lucrative asset for the RCSS. Yawd Serk complained in 2013 that Shan Taungdan Cherry was blocked from operating despite possessing the necessary permits (*Shan Herald Agency for News* 2013). Although the RCSS kept the license of the company for several years afterwards, affiliate companies under Shan Taungdan Cherry, except for *Shan Taungdan Cherry Tradig Co. Ltd.*, terminated their business licenses in 2013 (Directorate of Investment and Company Administration, n.d.).<sup>18</sup> Indeed, one senior RCSS officer familiar with the group’s peace negotiations speculated that the RCSS stopped pursuing Shan Taungdan Cherry as a serious business venture around 2017.<sup>19</sup>

While Shan Taungdan Cherry foundered as a business venture, it nonetheless succeeded in performing a strategic function in the RCSS’ armed order-making with the Tatmadaw. RCSS elites explained that establishing Shan Taungdan Cherry was an act to signal the RCSS’ commitment to moderating the level of violence with the Tatmadaw. As one senior RCSS officer explained:

Shan Taungdan Cherry was one of 31 agreements of the bilateral ceasefire. [...] We tried it to show that we were serious about the ceasefire. There was a clause that said both parties work together for regional economic development in Shan state. It was a way for us to show that we were genuine about that – that we were also sincere.<sup>20</sup>

Both the Tatmadaw and the RCSS acknowledged the function of establishing a capital-intensive business company as a credible commitment mechanism. The Tatmadaw insisted that the RCSS set up a formal business to use the profits made there to finance development projects.<sup>21</sup> They regarded EAOs’ business establishment as a key ceasefire objective.<sup>22</sup> Accordingly, the RCSS leadership also understood the worth of Shan Taungdan Cherry as a bargaining chip and deliberately established it to credibly commit to the ceasefire. As one senior RCSS officer shared: “We didn’t trust the Tatmadaw to keep their promise. The Chairman knew that they would not

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<sup>18</sup> The name of the company seems to be a typo for “Shan Taung Tan Cherry Trading Co. Ltd.”

<sup>19</sup> R-C5. Interviewed by author. Loi Tai Leng, August 2022.

<sup>20</sup> R-C1, R-BG3, and R-C2. Interviewed by author. Loi Tai Leng, May 2022.

<sup>21</sup> R-C5. Interviewed by author. Loi Tai Leng, August 2022.

<sup>22</sup> R-C1. Interviewed by author. Loi Tai Leng, May 2022

speak truthfully. We agreed to open Shan Taungdan Cherry to meet their ceasefire conditions.”<sup>23</sup> Likewise, a top-ranking RCSS officer noted:

We knew very well [that Shan Taungdan Cherry would not succeed]. We wanted to test their (Tatmadaw’s) mind and their intentions. We didn’t care about the outcome of the Cherry Mountain (Shan Taungdan Cherry). We have other channels to make money. You have to know that we have many businesses but had to pursue Cherry Mountain to test the intentions of the Tatmadaw.<sup>24</sup>

How the top-ranking RCSS officer described the worth of Shan Taungdan Cherry is a telling example of how the RCSS leadership regarded the business as a costly signal. Although the RCSS leadership regarded the economic failure of Shan Taungdan Cherry as a foregone conclusion given their suspicion of the Tatmadaw exploiting the ceasefire, they nonetheless committed the group’s financial resources to accommodate the Tatmadaw’s ceasefire objectives. By doing so, the RCSS signalled their intent to moderate the level of violence between the RCSS and the Tatmadaw. Establishing Shan Taungdan Cherry appealed to the Tatmadaw that they were “serious about the ceasefire” and that they were also “sincere.”<sup>25</sup> It signalled the RCSS’ intent to maintain its relationship with the Tatmadaw and reduce the risk of returning to open hostilities.

### **KNPP: Ceasefire as a path towards war termination**

The KNPP faced a similar military conundrum as the RCSS. On the one hand, the KNPP came under substantial military pressure that made gaining from continued war highly unlikely. Their previous ceasefire with the Tatmadaw in 1995 resulted in a military disaster: The KNPP not only lost key positions to Tatmadaw incursions into their controlled areas<sup>26</sup> but also suffered substantial defeat through a draconian counter-insurgency campaign in their areas of operation (Smith 1999, 447).

On the other hand, the KNPP further slipped into a disadvantageous position as the KNU and the RCSS agreed to bilateral ceasefires with the Tatmadaw. The KNPP interpreted the situation as a threat that brought an untenable military situation as the Tatmadaw threatened the KNPP’s

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<sup>23</sup> R-C1. Interviewed by author. Loi Tai Leng, May 2022

<sup>24</sup> R-C4. Interviewed by author. Loi Tai Leng, May 2022.

<sup>25</sup> R-C1, R-BG3, and R-C2. Interviewed by author. Loi Tai Leng, May 2022.

<sup>26</sup> KP2. Interviewed by author. Mae Hong Son, Thailand, July 2022.

flanks through ceasefires with EAOs immediately north and south of the group. One senior KNPP officer reflected that this strategic threat pushed the group to come to a ceasefire in 2012:

I myself did not want to sign the [ceasefire] agreement. But are we going to continue to fight? The RCSS, the PNLO (Pa’O National Liberation Organisation), the northern organisations, they signed [the ceasefire]. Our southern organisation, the KNU, signed. So we were in the middle. And we are a very small group. If the SPDC (the Tatmadaw) attacks, how can we defend? [...] If we make a strong offensive, how can we control our area and protect our people?<sup>27</sup>

Although they were cornered into a ceasefire, the KNPP nonetheless aimed to leverage the liberalisation in central Myanmar politics to find a favourable outcome to the civil war. Namely, they were keen to utilise the ceasefire as a stepping stone to a permanent peace agreement. A KNPP officer explained that the group viewed Thein Sein’s call for peace in a positive light and anticipated that it might lead to a productive dialogue to settle political issues.<sup>28</sup> They also understood the political liberalisation that occurred during that time as evidence for the possibility of positive change in Myanmar politics.<sup>29</sup> The KNPP leadership concluded that the National League for Democracy (NLD), a pro-democracy party led by Aung San Suu Kyi, would be able to bring political change in Myanmar and that the KNPP ought to work with the NLD to foster that change.<sup>30</sup>

As such, the KNPP’s ceasefire strategy focused on closely adhering to the ceasefire agreements to support the NLD government’s liberalisation efforts and push towards a permanent end to the war. KNPP elites concluded that minimising violence and progressing towards a permanent peace agreement was the best pathway to achieve this objective. As one senior KNPP officer explained, the KNPP leadership saw that adhering to the ceasefire would foster the success of the NLD government and a peace agreement that is equitable to all ethnic minority groups in Myanmar:

We thought highly of Aung San Suu Kyi. We didn’t want to make trouble during her term. Also, we wanted to move forward with the ethnic people to establish federalism, and we

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<sup>27</sup> KP7. Interviewed by author. Nai Soi, Thailand, December 2022.

<sup>28</sup> KP1. Interviewed by author. Nai Soi, July 2022

<sup>29</sup> KP4. Interviewed by author. Nai Soi, Thailand, October 2022.

<sup>30</sup> KP2. Interviewed by author. Nai Soi, Thailand, July 2022.

tried to progress politically. So that's why we tried to keep the ceasefire.<sup>31</sup>

Indeed, evidence suggests that the KNPP saw that a permanent end to the war was reachable within the context of political liberalisation. Even a heavy critic of the ceasefire within the KNPP leadership reflected that the bilateral ceasefire agreement would have been good for the future generation of Karenni youth if it had been successful.<sup>32</sup> As he reflected: "We didn't care much of the agreement, but we wanted to make the most out of it."<sup>33</sup> Indeed, as one senior KNPP officer explained: "We signed the ceasefire because there can be a chance to make a genuine change; a real peace agreement."<sup>34</sup>

The KNPP's adherence to ceasefire terms and facilitating the conditions to maintain the ceasefire came in three parts. First, preparing to exit armed politics through the peace negotiations that came through the ceasefire, the KNPP made little attempt to actively regroup and strengthen their armed wing. Unlike the RCSS, the KNPP largely forewent the opportunity to extensively rearm and recruit during their bilateral ceasefire.<sup>35</sup> At least one former Karenni CSO staff saw it as a missed opportunity caused by the KNPP's anticipation that the ceasefire would lead to permanent peace.<sup>36</sup>

Second, the KNPP strongly advocated for a civilian ceasefire monitoring group to monitor ceasefire implementation on the ground.<sup>37</sup> By doing so, they aimed to ensure that the ceasefire was monitored by an impartial third party, thereby maintaining the halt in fighting between the two belligerents. As one former CSO staff noted:

RCSS, when they signed and talked, and when they entered ceasefire monitoring, the Tatmadaw and RCSS gave one person each to monitor peace. How can this be? This is not possible. Tatmadaw and RCSS always disagree with each other. [...] [The ceasefire monitoring in Karenni State,] it's different. Really different. [...] Only the Karenni there is an assembly of civil society that share and engage with each other. There is no systematic mechanism for peace monitoring elsewhere.<sup>38</sup>

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<sup>31</sup> KP4. Interviewed by author. Nai Soi, Thailand, October 2022.

<sup>32</sup> KP6. Interviewed by author. Near Mae Hong Son, Thailand, October 2022.

<sup>33</sup> KP6. Interviewed by author. Near Mae Hong Son, Thailand, October 2022.

<sup>34</sup> KP8. Interviewed by author. Nai Soi, Thailand, December 2022.

<sup>35</sup> KP6. Interviewed by author. Near Mae Hong Son, Thailand, October 2022.

<sup>36</sup> P12. Interviewed by author. Nai Soi, Thailand, July 2023.

<sup>37</sup> KNGO1. Interviewed by author. Nai Soi, Thailand, November, 2022.

<sup>38</sup> KMP. Interviewed by author. Nai Soi, Thailand, July 2022.

Indeed, the interest in transitioning the ceasefire to permanent peace was the KNPP's intention in advocating for an impartial civilian body over an inter-group ceasefire monitoring body despite the Tatmadaw's resistance against it.<sup>39</sup>

Lastly, the KNPP restrained its forces from clashing with the Tatmadaw to keep the ceasefire. They frequently stopped the Karenni Army (KA), the KNPP's armed wing, from clashing with the Tatmadaw, contradicting the KA's default orders to 'shoot first and report later' when they are deployed on the field.<sup>40</sup> As one participant explained:

It's very hard for the soldiers. They have to get permission from the KNPP so they do not shoot. But some... Soldiers don't think about 'we have to shoot first.' They can just talk to the leader later. [...] Some KNPP leaders, though not all, they don't want soldiers to shoot. They want to maintain the ceasefire.<sup>41</sup>

Indeed, the KNPP only clashed with the Tatmadaw on three occasions during the 2012-2021 ceasefire period in 2012, 2017, and 2018. Among these, the 2017 clash was a unilateral violence by the Tatmadaw onto a KNPP checkpoint after an on-site argument over inspecting a Tatmadaw convoy allegedly engaged in illegal logging.

The KNPP's focus on maintaining the ceasefire under the strictest terms meant that they not only had little reason to employ capital-intensive formal businesses but also regarded it as excessive risk. While they had operated two formal business companies – *Kayah Htarni* and *Tamaw Htiar*— after the 2012 bilateral ceasefire, they were small enterprises that focused on fulfilling small-scale business contracts from logging and construction to hospitality and tourism.<sup>42</sup> These businesses were geared towards revenue generation for the KNPP to sustain their organisation after the ceasefire.<sup>43</sup> Neither of the two formal business companies was capital-intensive. KNPP officers familiar with formal businesses explained that these firms are considered small, even compared to formal businesses held by other EAOs.<sup>44</sup>

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<sup>39</sup> KNGO1. Interviewed by author. Nai Soi, Thailand, November 2022.

<sup>40</sup> KP1. Interviewed by author. Nai Soi, Thailand, July 2022; KP4. Interviewed by author. Nai Soi, Thailand, October 2022.

<sup>41</sup> P6. Interviewed by author. Nai Soi, Thailand, August 2022.

<sup>42</sup> KP4. Interviewed by author. Nai Soi, Thailand, October 2022.

<sup>43</sup> KP2. Interviewed by author. Mae Hong Son, Thailand, July 2022.

<sup>44</sup> KP4. Interviewed by author. Nai Soi, Thailand, October 2022; KP10. Interviewed by author. Nai Soi, Thailand, November 2022.

The KNPP's intent to incorporate into the state through a peace agreement meant that they did not find the strategic utility of capital-intensive formal businesses useful. Whereas the RCSS focused on capital-intensive formal businesses' uses in maintaining the ceasefire despite ongoing armed clashes, the KNPP focused on the unnecessary risk posed by capital-intensive formal businesses that they could not afford to take without formal peace.<sup>45</sup> As a senior KNPP officer familiar with the group's business affairs explained:

For the KNPP, we think of political stability. Because we think there is no political stability, we don't want to invest so much in business [...] The most important thing is political stability. If there are political problems, those businesses can collapse, and it can affect our shares, and our people, so we didn't want to do it.<sup>46</sup>

Likewise, one top-ranking KNPP officer also pointed out that the fragility of the ceasefire called for conservative investments:

During the NCA time, the KNU, there was so much fighting. Much more than the Karenni. How can you believe [the Tatmadaw]? That is why we maintained only the bilateral level [of the ceasefire]. Even business, we knew that one day there would be fighting sooner or later. If there is fighting, we will lose all our possessions. The loss may be bigger than what we make through business. We had a plan [to establish a capital-intensive formal business] but did not follow through with it.<sup>47</sup>

## Same ceasefires, diverging armed orders

The two EAOs' diverging approaches to their ceasefires with the Tatmadaw brought about different armed orders. Specifically, the RCSS developed a symbiotic armed order with the Tatmadaw while the KNPP drifted towards incorporation into the Myanmar state through the limited cooperation armed order created by the ceasefire.

The ceasefire did not substantially change how the RCSS operated. While the RCSS moderated the level of violence with the Tatmadaw, they also resisted the Tatmadaw's aims to incorporate them under state control.

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<sup>45</sup> KNU15 and KNU7. Interviewed by author. Mae Sot, Thailand, June 2023.

<sup>46</sup> KP4. Interviewed by author. Nai Soi, Thailand, October 2022.

<sup>47</sup> KP3. Interviewed by author. Nai Soi, Thailand, August 2022.



Indeed, the behaviour of the RCSS during the ceasefire appears as if they were uninterested in maintaining the ceasefire. Much of the RCSS' governance and military activities continued regardless of their ceasefire. They continued to enjoy extensive control over the countryside, directly drawing resources and human talent from its areas of operation throughout the ceasefire. The RCSS continued to conscript individuals of military age for a mandatory 5-year service during the ceasefire (Chung 2018). They also collected taxes from businesses that operated in areas under their influence (Chung 2018). In addition to businesses, RCSS units also collected either cash or in-kind taxes directly from civilians (Nan Lwin Hnin Pwint 2019).

RCSS officers also shared that there were no substantial changes in their military affairs since the ceasefire.<sup>48</sup> Although the volume of fighting against the Tatmadaw declined after the ceasefire, fighting nonetheless continued despite the bilateral ceasefire calling for a cessation of hostilities. The RCSS logged 68 and 86 clashes with the Tatmadaw in 2012 and 2013, respectively (Burma News International 2014, 8). Additionally, the RCSS logged more than 100 battles between the NCA until the time of the interview with a senior RCSS officer who shared the data in 2022.<sup>49</sup> One RCSS brigade commander explained that they frequently clashed with the Tatmadaw despite the ceasefire until the 2021 Military Coup.<sup>50</sup>

The RCSS' continued military and administrative activities in a business-as-usual manner whilst remaining credibly committed to the ceasefire with the Tatmadaw generated a peculiar political balance between the two parties: they fought each other while regulating the level of violence to maintain co-existence. The most striking evidence of such balance can be seen in the RCSS' mechanism to regulate the intensity of the fighting with the Tatmadaw during the ceasefire. As one senior RCSS officer explained the protocols taken by the RCSS and the Tatmadaw after a battle:

**RCSS OFFICER:** There are two types of battles: Contact battles and planned battles. Contact battles are when a Tatmadaw column and our column meet. In this case, we use the liaison office to solve the issue. They call the Tatmadaw division command. If they [liaison offices] can solve [the issue] with the Tatmadaw, The Chairman's office calls Naypyidaw and resolves it. [...] Planned battles are when the Tatmadaw have a plan to

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<sup>48</sup> R3. Interviewed by author. Loi Tai Leng, May 2022; R-1. Interviewed by author. Loi Tai Leng, August 2022.

<sup>49</sup> R-C5. Interviewed by author. Loi Tai Leng, August 2022.

<sup>50</sup> R-BG1. Interviewed by author. Loi Tai Leng, May 2022.

fight our unit. The number of troops attacking is more than 1,000. Heavy weapons, like 81mm mortars and so on. Sometimes jet fighters.

**AUTHOR:** How do you resolve the conflict during planned battles?

**RCSS OFFICER:** First – you fight back! (laughs) If Tatmadaw loses 20-50 soldiers, then they communicate with us and withdraw. [...] Fighting makes for a smooth discussion (laughs). We return their weapons too; if they lose their weapons, the commander is demoted in the Tatmadaw. This is done under the radar; side-line deals.<sup>51</sup>

The senior RCSS officer's description of conflict mediation protocol suggests that battles between the two precluded possibilities of renewed open warfare. Notably, the Tatmadaw and the RCSS engaged in 'planned battles' which required a substantial accumulation of arms and fighters to initiate without worrying about returning to open war. Indeed, fighting often became political manoeuvres that smoothed discussions to settle disputes between the two sides. Battles fought between the Tatmadaw and the RCSS during the ceasefire no longer carried the threat of group death.

On the other hand, the KNPP was locked into a state of gradual decay from their commitment to the 2012 bilateral ceasefire. Expecting to eventually incorporate into the state under favourable negotiated terms, the KNPP developed a limited cooperation armed order that gradually reduced the organisation's capacity to return to war.

The KNPP increasingly lost their capacity to react against the Tatmadaw as they aimed to incorporate the group through the 2012 ceasefire. They increasingly lost their capacity to react against their transgressions. KNPP fighters deviated from their military responsibilities to pursue economic opportunities outside the KNPP, growing distant from the group.<sup>52</sup> As a result, the group experienced a substantial decline in readiness and military discipline after the ceasefire.<sup>53</sup> Indeed, the Tatmadaw succeeded in penetrating KNPP areas of operation to reinforce their positions along the Karenni-Thai border as a strategy to suppress the KNPP.<sup>54</sup>

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<sup>51</sup> R-C2. Interviewed by author. Loi Tai Leng, May 2022.

<sup>52</sup> KP1. Interviewed by author. Nai Soi, July 2022

<sup>53</sup> KP7. Interviewed by author. Nai Soi, Thailand, December 2022.

<sup>54</sup> KNGO1\_KNPP. Interviewed by author. Nai Soi, Thailand, November 2022.

Many KNPP cadres outside the military wing also drifted away from the group. The ongoing peace talks either diminished the need for the KNPP as the vanguard organisation of the Karenni revolution or added to the jadedness of party members who remained with the group even as Myanmar liberalised. As one top-ranking KNPP officer reflected:

Many members and families tried to walk away from our organisation. They are pretending to be too lazy to work with us. They were getting worn; tired. Some said, ‘Oh, there is no more fighting, so we don’t need to be a member of the KNPP anymore.’ [Some others said] ‘If there is no more fighting, we cannot free our people anymore’ [and wants to leave]. Everybody just talked about the peace process, the peace process...<sup>55</sup>

The peace process and anticipation for an eventual permanent peace meant that seasoned KNPP and KA members found little reason to stay with the organisation. Indeed, a senior KNPP officer noted that several KNPP cadres relocated to Thailand to find work after the ceasefire.<sup>56</sup>

The bilateral ceasefire also caused a drift between the KNPP and the local civilian community as Myanmar transitioned into a quasi-civilian regime. The KNPP was increasingly regarded as a hindrance in a newly liberalising Myanmar rather than as a political representative of the Karenni community. A Karenni CSO staff reflected that the local community saw the KNPP as a force that delayed the peace process in Myanmar for not progressing beyond the bilateral ceasefire.<sup>57</sup> As one senior KNPP officer noted, the Karenni community began to turn against the KNPP as the ceasefire drew on:

They (civilians) think they already have this much freedom, so they said: ‘Why do you keep struggling?’ [...] It means that our enemy succeeded in mobilising them to make them think that way. There are now schools, works, clinics, electricity... People can go and work as police or whatever... People accepted this and... During the [peace] talk, people who supported us started to turn against us.<sup>58</sup>

The KNPP found resource extraction more difficult as the local community rescinded their support for the group. A senior KNPP officer explained that the ceasefire period was marked by diminishing authority of the KNPP in the local communities:

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<sup>55</sup> KP3. Interviewed by author. Nai Soi, August 2022

<sup>56</sup> KP8 and KP11. Interviewed by author. Nai Soi, December 2022;

<sup>57</sup> KNGO1. Interviewed by author. Nai Soi, Thailand, November 2022.

<sup>58</sup> KP1. Interviewed by author. Nai Soi, July 2022.

After the ceasefire, relationships within the KNPP have weakened so much. Township officers have stopped working because they do not have authority in Karenni State. Some people just stayed in the village; some came to the border. KNPP could not do capacity building. That was the issue. The Karenni Army was the same story.<sup>59</sup>

The KNPP's diminishing authority within the local community led to diminishing returns from their resource extraction activities. The KNPP's household tax stopped in 2016 in part due to the economic hardship faced by the Karenni community but also because the Karenni community resented being doubly taxed by a parallel governing authority.<sup>60</sup> At the same time, the KNPP was unable to recruit at a meaningful level. With the bilateral ceasefire in place, there were no profound political motivations for potential recruits to join the KNPP.<sup>61</sup>

## Conclusion

Why do some rebel groups participate in the formal market with substantial investments during a civil war? This paper argued that some forms of participation in the formal economy, such as establishing capital-intensive formal businesses, can serve a strategic function for rebel groups to their advantage. When ceasefires by the state aim to incorporate the rebel group, a non-military form of credibly committing to the incorporative ceasefire allows the group to resist incorporation and utilise the ceasefire to regrow their organisational capacity. This interaction between the state and the rebel group produces a symbiotic armed order, where violence continues to feature as an instrument of politics between them alongside compartmentalised cooperation and co-existence.

The findings of this paper contribute not only to the emerging literature on post-ceasefire politics but also to our understanding of civil war economies. I call attention to various post-ceasefire pathways created by the strategic interaction between the state and rebel groups during ceasefires. By doing so, the findings of this research join the emerging research on civil war political orders (Mukherjee 2014; Chalermripinyorat 2020; Staniland 2021; Waterman 2021a). It also furthers the conversation on conditions in which different armed orders might appear by

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<sup>59</sup> KP2. Interviewed by author. Nai Soi, Thailand, June 2022.

<sup>60</sup> KP6. Interviewed by author. Mae Hong Son, Thailand, October 2022; KNGO1. Interviewed by author. Nai Soi, Thailand, November 2022.

<sup>61</sup> KP6. Interviewed by author. Near Mae Hong Son, Thailand, October 2022.

zoning in on state-rebel group interactions that build armed orders, illuminating some of the reasons why some ceasefires lead to an end to armed insurgency while other ceasefires seem to elongate the conflict.

Further, this paper also contributes to the ongoing study of civil war economies (Wennmann 2007; Kubota 2020). The findings of this paper remind us that not all economic activities are driven by material interests. Economic activities can be counterproductive, political, and can serve a strategic purpose that goes beyond economic reasoning. This paper contributes to the growing study of rebel group economics that zone in on the political function of rebel economies, noting that reasons of money do not always fully explain rebel economic activities.

The findings of this project also illuminate some possible avenues for further research. The research leaves questions on the impact of armed order-making of EAOs during the ceasefire when an external shock destabilises their relationship with the state. The 2021 Military Coup in Myanmar prompted renewed alliances, the entrance of new armed groups into the war, and, for some EAOs, a return to open war with the Tatmadaw. Examining the impact of both symbiotic armed orders and limited cooperation armed orders with an incorporative trajectory for different groups' engagement with the Tatmadaw and other armed groups is important to understand the dynamics of the ongoing conflict in Myanmar.

Further research is also needed to identify different types of constant costly signals and in what contexts they are employed by armed political actors. This paper focused on capital-intensive formal businesses as a constant costly mechanism. Yet, the diverse range of constant costly signals found in different social circumstances suggests that there may be a universe of constant costly signals employed during belligerent interactions that we may have overlooked. Identifying and examining these signalling instruments and their effect in altering the relationship between two belligerents is a fruitful avenue to further test this argument.

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