

An Economic Blueprint for a Federated Shan State: Fostering Peace through Fiscal Federalism and Decentralized Governance

Sai Seng SAI

Abstract

For over seven decades, Shan State has been the epicenter of a protracted conflict rooted in the systematic violation of the 1947 Panglong Agreement's guarantees of ethnic equality and autonomy. While historical peace negotiations have concentrated almost exclusively on political power-sharing, this paper argues that a durable settlement is impossible without a corresponding economic governance framework. The historic centralization of fiscal power has created a highly extractive environment, entrenching local grievances and driving continuous resource predation. This economic disenfranchisement has accelerated dramatically under the current military administration following the 2021 political crisis. This study proposes a structural solution by applying a new analytical framework: 'Ethno-Economic Livelihood Zones'. By disaggregating Shan State into five distinct economic realities—ranging from the paddy-producing Valley Heartlands to the commercial Border Corridors—this research diagnoses a core imbalance where regional economic capacities are suppressed by systemic structural deficits. To resolve this, the paper presents a comprehensive Fiscal Federalism Blueprint. This includes a Three-Tier Revenue Model anchored by a 50-30-20 Resource Revenue Sharing Formula, which legally retains 50 percent of extractive revenues within the zone of origin. Additionally, it establishes the requirement for Zone-Specific Development Charters and an Independent Fiscal Commission to ensure strict transparency. By transitioning from centralized extraction to decentralized economic governance, this research provides stakeholders with a pragmatic, data-driven roadmap to stabilize Shan State's economy and construct the foundation of a future federal union.

Keywords: Fiscal Federalism, Shan State, Resource Revenue Sharing, Economic Peacebuilding, Decentralization, Ethno-Economic Zones, International Development, Conflict Resolution, Conflict Economy, Economic Governance.