After 54 years of trying to settle the Sri Lankan conflict the Norwegian-mediated ceasefire of 2002 presented an opportunity to begin constructive peace negotiations. This peace process would need to address genuine Tamil grievances: legislation that discriminates against Tamils, Indian Tamil citizenship, the Prevention of Terrorism Act (PTA), and Sinhala domination of the police and armed forces. It would also need to build trust between the state and the minorities. A new peace process would have to accommodate spoilers, which include the political opposition, radical members of the Sangha, the Janatha Vimukthi Peramuna (JVP) and the Liberation Tigers of the Tamil Eelam (LTTE), and overcome the asymmetry of the Tamils versus the democratically elected government.

To determine whether the inclusion of economic recovery issues in a peacemaking process can help sustain peace this case needs to meet three criteria: the first that there was a peace process robust enough to embark on a process of economic recovery; the second, that economic recovery was integral to that peace process; and the third, that efforts were in fact made to that end. This chapter examines the 2002–2006 peace process and establishes the prominence of peacebuilding and economic recovery.

The Norwegian mediated peace process

The peace process began with optimism as a result of two factors: Norway had emerged as a credible third-party mediator and Sri Lanka reached what could be described as a ‘hurting stalemate’.1 Norway was seen as a legitimate peacemaker; with no geostrategic position toward Sri Lanka, it had what Christopher Mitchell describes as ‘outsider-neutral’ status.2
Norwegian engagement was based on the international credibility won through peacemaking rather than dominance in South Asia. Taking the first place in the Human Development Index (HDI), Norway did not need to secure any of Sri Lanka’s natural resources. Norway compared favourably to India who was an ‘insider-partial’ peacemaker. With 62 million Tamils, the possibility of an independent Tamil state on India’s doorstep posed a threat to its own national integrity. India would want to take a more domineering role given its own geostrategic concerns, and the importance of shoring up its position vis-à-vis other world powers.

As part of the Ceasefire Agreement (CFA) a Scandinavian and European Union (EU) staffed Sri Lankan Monitoring Mission (SLMM) was set up ‘to take immediate action on any complaints made by either Party to the Agreement, and to enquire into and assist the Parties in the settlement of any dispute that might arise in connection with such complaints’. The SLMM, as an impartial observer, strengthened the ceasefire by investigating violations. Although the SLMM was not a peacekeeping force and did not provide any kind of security guarantee, by monitoring the ceasefire, the parties to the agreement had a greater incentive to abide by it.

Norway’s involvement in the conflict came at a time when both sides were struggling to sustain the war. It had reached what William Zartman might describe as a ‘ripe’ moment:

Parties resolve their conflict only when they are ready to do so – when alternative, usually unilateral, means of achieving a satisfactory result are blocked and the parties feel that they are in an uncomfortable and costly predicament. At that ripe moment, they grab onto proposals that usually have been in the air for a long time and that only now appear attractive.

Although the government continued to increase expenditure on military training and hardware in 2000, it was having problems both recruiting and keeping military personnel. Fighting continued throughout 2000–2001 with the LTTE managing to overrun several army camps. In 2001, in addition to regaining the Elephant’s Pass (an important causeway attaching the Jaffna Peninsula to the mainland) the LTTE also attacked the International Airport in Colombo, decimating half the state-owned airline, Air Lanka, and eight military planes.

Despite the war, the economy always managed to grow, with the exception of 2001, when it contracted by 1.5 per cent. This may have