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From: Angus Lapsley**Date:** 25 July 1997**JONATHAN POWELL****cc: JOHN HOLMES
MOIRA WALLACE****PRESIDENT SANTER**cc: EMU
N Ireland.

There were two passages of the Santer call this afternoon that I have not recorded for external consumption.

EMU

The Prime Minister raised this. He said an active debate was now underway in the UK about EMU. Most people felt that the project was being undertaken too quickly. We would watch how the debate went, but the principle of EMU was now more widely accepted in the UK. It was the timetable that was harder, because of the risk that it would lead to a weak currency. Santer said that we certainly had to work to avoid this. The Prime Minister said that 1 January 1999 was unlikely. A later date was a possibility for us now. We would retain the option as to what we did. (Sorry if this is not clear - nor was he).

NORTHERN IRELAND

Santer asked how things were going. The Prime Minister said that he was cautiously optimistic, although most people thought that he was crazy as a result. The fact was we'd had a ceasefire. The real question was whether Sinn Fein really was too much of a terrorist organisation to change. He was pretty cynical about this. If the Irish and British Governments were given the chance, they could settle the issues quite easily. He even thought that the SDLP and the Ulster Unionists could reach agreement. The age old problem in Ireland was that a violent minority dominated the political agenda. Santer pledged his support and

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noted that all the Northern Irish politicians in the European Parliament managed to work together quite happily. The Prime Minister agreed. The problem was getting them to agree when in Northern Ireland.

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