

**UNDERSTANDING WITH REGARD TO
FAIR AND EQUITABLE TREATMENT IN THE
BILATERAL INVESTMENT AGREEMENT BETWEEN THE UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND AND THE REPUBLIC OF COLOMBIA.**

London, 19 May 2009

The Head Negotiators of The United Kingdom of Great Britain and Northern Ireland and The Republic of Colombia (henceforth, the Contracting Parties) hereby confirm the following understandings during the course of negotiations of the Bilateral Investment Agreement between the United Kingdom of Great Britain and Northern Ireland and The Republic of Colombia (henceforth, the Agreement) with regard to the concept of Fair and Equitable Treatment, set out in Article II of the Agreement.

Both States confirm that, without wishing to narrow the meaning of the concept of "fair and equitable treatment" as it is interpreted in accordance with international law, they do not understand this term to incorporate a stabilization clause. Thus a Contracting Party is not prohibited from exercising regulatory powers, whenever introduced, that impact on investments of the investor of the other Contracting Party, so long as these powers are exercised in a fair and equitable manner.

The previous understandings are to be preserved as part of the negotiating history of the Agreement to provide clarity on the intention of the Contracting Parties when including the provisions referred to above.

Signed by the Chief Negotiators of both parties, and appended to the Minutes of the Final Negotiating Round, in London on 19 May 2009.

MR. JOSÉ ANTONIO RIVAS

Head of Delegation for Colombia of the
Bilateral Agreement on the Promotion and
Protection of Investments Between the
Government of the United Kingdom of
Great Britain and Northern Ireland and
The Republic of Colombia
Director of Foreign Investment and
Services
Ministry of Trade, Industry and Tourism

MR. BENJAMIN DAVID PRICE

Head of Delegation for the United
Kingdom of Great Britain of the
Bilateral Agreement on the Promotion and
Protection of Investments Between the
Government of the United Kingdom of
Great Britain and Northern Ireland and
The Republic of Colombia
Senior Policy Adviser – International
Investment
Department for Business Enterprise and
Regulatory Reform

London, 19 May 2009

Mr. Benjamin David Price

Head of Delegation for the United Kingdom of Great Britain and Northern Ireland of the
Bilateral Agreement on the Promotion and Protection of Investments Between the
Government of the United Kingdom of Great Britain and Northern Ireland and The
Republic of Colombia
Department for Business, Enterprise and Regulatory Reform
The United Kingdom of Great Britain and Northern Ireland

Dear Mr. Price,

As Head Negotiator for the Republic of Colombia in the Bilateral Investment Agreement between the United Kingdom of Britain and Northern Ireland, and the Republic of Colombia (henceforth, the Agreement), I hereby confirm the exclusion of public debt from the definition of investment, and therefore from the scope of the Agreement and its provisions on dispute settlement. I also confirm that under Article XV paragraph 4, the Contracting Parties are bound to consider renegotiating Article I paragraph 2(b)(i) if they agree it would be necessary.

The underlying rationale not to consider public debt as investment in the Agreement is that public debt contracts entered into by the Colombian Government entail a commercial risk and include particular dispute settlement procedures available to creditors as means to solve controversies in respect to or arising out of the public debt instrument. Further, these contracts are governed by foreign laws and grant recourse to foreign Courts, such as those sitting in the Borough of Manhattan, NY, USA or in London, UK.

Thus, through the contractual relationship that ties them to the debtor entity, creditors are afforded the necessary means to settle any potential difference related to this relationship.

As agreed, this letter shall be preserved as part of the negotiating history of the Agreement to provide clarity on the intention of the Contracting Parties when including the provisions referred to above.

Sincerely,

MR. JOSÉ ANTONIO RIVAS

Head of Delegation for Colombia of the
Bilateral Agreement on the Promotion and Protection of
Investments Between the Government of the United
Kingdom of Great Britain and Northern Ireland and The
Republic of Colombia
Director of Foreign Investment and Services
Ministry of Trade, Industry and Tourism