Finally, regarding the Anaconda tribunal's Statement as to the inherent "dissuasive" effect of the provision on compound interest, whose purpose was purportedly mooted in the Anaconda case, it is hard to see how this could constitute a sound reason to overcome an arm's-length agreement between contracting parties. Conversely, stipulations on compound interest must be upheld by arbitrators, for there is no ground for holding that they are penal in nature, unless the resulting rate of interest is usurious. It seems likely that the great majority of arbitral tribunals fall to award compound interest in order to avoid engaging in presumably complex (and expensive) calculations on the substantial sums involved. In reality, compound interest calculations may have been difficult when computed using only "paper and pencil," but today, given the ready availability of personal computers and calculators with exponential functions, the task can be executed within a few minutes. Such an award, readily calculable, could achieve in practice the principle of restitutio in integrum for the lost opportunity of investing money.

Admittedly, considering the applicable law as Substantive, one may speculate what would happen if the law applicable to the contract were an Islamic law that, as discussed above, forbids interest. In such cases, a question arises: Can arbitrators disregard the law's prohibition an the awarding of interest? Practice seems to indicate that the answer to this question is "no".

It would seem generally preferable, for the sake of international Business, to grant arbitrators discretion with respect to both the rate of interest, and the power to award compensatory interest, even when a law forbidding interest is applicable to the contract. Consequently, disregard of the Islamic prohibition an awarding interest could render the enforcement of the award practically impossible in such countries.

49 Interest compounding is generally expressed in terms of exponential functions. A creditor who is to receive principal P at interest rate r under annual compounding, for instance, should receive a value A at the end of t year, which is equal to "A_0= P(1+r)[hoch t]" Interest compounded m times a year, with the creditor receiving (r/m) interest m times a year, at the end of t years, is equal to "A_0= P(1+ r/m)[hoch mt]" With P = $ 100, r = 12 percent and m = 4, "A=100(1+. 12/4)[hoch 4](1)" "A=100(1.03)[hoch4]" "A=100(1.1255)=$ 112.55" Thus, in the last example, the nominal interest rate is 12 percent, but the effective rate becomes 12.55 percent.
50 Bowles & Whelan, supra note 41 [Roger Bowles & Dr. Christopher Whelan, Compound Interest: Could Multipliers be the Way Forward?, 136 New L.J. 876, 876 (1986)], at 878 (stressing how tables of multipliers could be also very useful in such a calculation).
51 Id. at 879.
52 For an example of the impact of the compound interest method an profitability of investments, see Zvi Bodie,
Compound Interest Depreciation in Capital Investment, 60 HARV Bus Rev 58 (May-June 1982).

165 See supra text accompanying notes 20-21.

166 French Contractor v. Ministry of Irrigation of African Country X, supra note 73 [ICC case No. 5277, 13 Y.B. Com. Arb. 80, 89-90 (1988)], at 90 (1988) (noting how it was not possible to circumvent the prohibition an interest of law X, for a court in that country would not uphold a claim for interest as damages).

Referring Principles:

- VII.6 - Duty to pay interest
- VII.7 - Right to charge compound interest