In the 1980s, Japanese borrowers turned increasingly to the Euromarkets for long-term funding.[67] Once the Foreign Exchange Control Law was relaxed in 1980, the total funds raised by Japanese firms in overseas markets rose from an average of 560 billion yen per year between 1975 and 1979 to 1.4 trillion yen in 1981. Overseas securities represented less than 20% of all securities issued by Japanese firms prior to 1980, and nearly 50% of new issues by 1985. Most of the funds raised abroad were used to repay domestic borrowings, indicating cheaper capital was available outside Japan to some Japanese borrowers.

Aside from the interest rate regulation changes and the emergence of alternative sources of funds, it appears that Japanese manufacturing enterprises are moving away from traditional banking relationships as a means of reducing bank control over their operations.[68] Japanese managers are avoiding debt financing in order to escape the close scrutiny of lenders, the direct involvement of lenders in enterprise decisions and the insertion of bank officers in enterprise management. Some companies in high technology industries such as electronics, pharmaceuticals and communications equipment have gone so far as to refuse bank nominees for their boards of directors.

Banks, meanwhile, are becoming increasingly concerned about the cost of maintaining large shareholding interests in certain customers. Some firms are thought to spend several hundred million dollars annually in order to preserve their current shareholding levels.[69]

It is not only the relationships between banks and other *keiretsu* members that are changing. According to Merrill Lynch, a U.S. investment bank, the cross shareholding ratio of all stocks listed on the Tokyo exchange has fallen to 54.6%, down from its peak of near 57% in 1990.[70]

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[67] See T.F. Cargill and G.F.W. Todd, *op. cit.*, p. 48; and W.C. Kester and T.A. Luehrman *op. cit.*, p. 132.

[68] See W.C. Kester, *op. cit.*, pp. 13-5.

[69] See T. Myerson, "Barriers to Trade in Japan: The *Keiretsu* System -- Problems and Prospects", in *New York University Journal of International Law and Politics*, Vol. 24, No. 3, New York University School of Law, New York, NY, Spring 1992, p. 1110.

[70] See "Asian Equity Guide", supplement to *AsiaMoney and Finance*, Euromoney Publications, London, March 1994, p. 27.