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Asian Growth Research Institute

The impact of foreign direct investment from Taiwan on tourism development in Kyushu

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Abstract

This study aims to explore the impact of foreign direct investment (FDI) from Taiwan in the Kyushu region, particularly focusing on the establishment of facilities in Kumamoto by Taiwan Semiconductor Manufacturing Company (TSMC), on the development of airport infrastructure and its subsequent influence on the growth of regional tourism. The research focuses on Taiwanese visitors to Kyushu, encompassing both business and leisure travelers, with particular attention to changes in the number of flights between Taiwan and Kyushu, as well as fluctuations in visitor numbers to various prefectures within Kyushu as travel destinations. By analyzing flight data and tourism statistics, the study finds that FDI from TSMC has driven an increase in the number of scheduled flights at Kumamoto and surrounding airports, leading to a rapid rise in Taiwanese visitors to Kyushu. Moreover, the travel destinations of these visitors have expanded from a previous concentration in Fukuoka to include Kumamoto, Oita, and other prefectures. The findings indicate that industrial investment significantly stimulates regional transportation and tourism sectors, contributing to a deeper understanding of the interplay between industrial development and tourism economy.

1. Introduction

Foreign Direct Investment (FDI) has long been recognized as a key driver of a country's economic growth (Faisal et al., 2021). It not only enhances regional employment opportunities but also contributes to the development of local infrastructure. As a leading global semiconductor foundry, Taiwan Semiconductor Manufacturing Company (TSMC) has become a focal point of international academic and industrial interest. Countries worldwide actively seek cross-border investments from major semiconductor manufacturers like TSMC.

¹ This study was carried out under the supervision of Professor Dai Erbiao (AGI). Nonetheless, any mistakes that remain are the author's alone.

In 2021, TSMC announced further investment into Japan Advanced Semiconductor Manufacturing, Inc. (JASM) in Kumamoto Prefecture, Japan (TSMC, 2021). This investment has positioned Kumamoto Prefecture — and more broadly, the Kyushu region — as a strategic industrial hub that is drawing increasing global attention. This effect is also reflected in the expansion of the air transportation network. In recent years, the number of scheduled flights between Taiwan and Kyushu has increased significantly, covering major cities such as Fukuoka and Kumamoto, thereby establishing more convenient infrastructure for bilateral exchanges. For example, to facilitate the relocation of TSMC employees to Kumamoto, China Airlines and STARLUX Airlines began operating scheduled flights between Taipei and Kumamoto in 2023. The introduction of direct flights between Taiwan and Kumamoto has not only increased the number of business travelers from Taiwan but has also contributed to a significant rise in leisure tourism to the region.

Although previous studies have examined the causal nexus between FDI and tourism, most have focused on whether tourism inflows attract FDI, rather than how FDI itself may influence tourism development. Gopalan et al. (2024) argues that such studies largely overlook the role of bilateral FDI flows in boosting tourist arrivals in host countries. To address this research gap, this study focuses on the impact (regional implications) of FDI from Taiwan on Kyushu, in particular its effects on the development of the airport and tourism in the region.

2. Literature review

2.1 FDI and Tourism nexus

FDI refers to long-term investment made by one country in another, typically through the acquisition of existing firms or the establishment of new companies (Faisal et al., 2021). FDI has the potential to promote employment, support infrastructure development, and facilitate the transformation of traditional industries (Adeola et al., 2020). According to Adeola et al. (2020), FDI plays a critical role in driving infrastructure development, such as motorways, airports, and hotels, which in turn can enhance the image of a region.

Previous studies have discussed various mechanisms linking FDI and tourism development (Adeola et al., 2020; Gopalan et al., 2024; Selvanathan and Selvanathan, 2012). For example, Adeola et al. (2020) explored the relationship between FDI and tourism development in Africa, while Gopalan et al. (2024) focused on the impact of bilateral greenfield FDI on bilateral tourism flows in

emerging markets and developing economies. Adeola et al. (2020) found a significant positive relationship between FDI and tourism development in the long-term, with this effect being strengthened by improvements in economic and political stability. Gopalan et al. (2024) argued that greenfield FDI—defined as investment in rick-and-mortar infrastructure—can promote a country’s overall economic growth by supplementing domestic capital, introducing higher skills, and facilitating technology transfer. The study further revealed that the inflow of greenfield FDI significantly and consistently promotes international tourist flows from the origin country to the host country.

2.2 Previous Studies on Taiwanese Tourists in Japan

Taiwanese travelers are known for their high spending, generating substantial tourism revenue for destination countries. This trend has made Taiwan one of the most attractive outbound tourism markets globally (Huang et al., 1996; Kao et al., 2008). In recent years, Japan has become one of the most popular travel destinations among Taiwanese tourists (Hsieh et al., 2016). According to statistics from Taiwan Tourism Administration, Japan surpassed mainland China in 2015 to become the most visited destination by Taiwanese travelers. The widespread use of Social Networking Services (SNS) today allows individuals to access information about tourist attractions and cultural products around the world more easily than ever before, thereby exerting a significant influence on the tourism industry (Otsu and Wang, 2016). Based on a study of Taiwanese visitors, Otsu and Wang (2016) found that independent travelers are particularly influenced by electronic word-of-mouth (eWOM) when they visit Japan.

Understanding the travel motivations and decision-making factors from visitors is also a critical aspect in advancing tourism development. Suzuki (2025), adopting the push and pull framework, identifies “Knowledge”, “Family togetherness” and “Shopping” and “Natural scenery” as the primary motivation factors influencing Taiwanese tourists to Japan. Liao and Chuang (2020) influencing whether Taiwanese tourists choose package tours when visiting Japan, including “attractions, accommodation, length of stay, price, cuisine, transport, and season”. Among these, transportation accessibility has been consistently identified as a major consideration in several studies. Oyabu et al. (2008) indicate a steady increase in the number of Taiwanese tourists visiting Japan’s Hokuriku region—including Ishikawa, Toyama, and Gifu Prefectures—partly attributing this growth to the availability of charter flight services connecting regional airports. Wu (2016) suggests that, within the Japan–Taiwan market, the deregulation of charter flights

has facilitated the dispersion of Taiwanese tourists to other regions of Japan, particularly to destinations that remain relatively undiscovered or suffer from limited accessibility.

In summary, FDI can drive the development of infrastructure (e.g., airports) in host countries, thereby enhancing the region's image and attracting international tourists. In the case of Kyushu, FDI from Taiwan is expected to contribute to the development of airports in the Kumamoto/Kyushu region, which may, in turn, attract more Taiwanese visitors. Therefore, this study aims to address the following hypotheses:

- (1) FDI from Taiwan will influence the development of airports in Kyushu.
- (2) TSMC's FDI will increase the number of Taiwanese visitors visiting Kumamoto.
- (3) TSMC's FDI in Kumamoto will increase the number of Taiwanese visitors visiting the broader Kyushu region.

To address these research questions, this study will utilize statistical data from the Taiwan Civil Aviation Administration, MOTC and the Japan Tourism Agency (JTA).

3. Changes in Flights Between Taiwan and Kyushu

3.1 Air Connectivity Between Taiwan and Kumamoto

In April 2016, a powerful earthquake struck Kumamoto, causing widespread destruction in the city and surrounding areas(JSCE, 2016). Aso Kumamoto Airport sustained varying degrees of damage to its terminal, and other facilities. Due to the damage, the airport was temporarily closed, resulting in flight cancellations. Although emergency repairs allowed the airport to reopen a few days later, some flights continued to be affected.

In January 2021, Aso Kumamoto Airport began construction of a new passenger terminal(KKIAC, 2021). At the same year, TSMC announced its plan to build a semiconductor fabrication plant, JASM, in Kumamoto, highlighting the urgency and importance of the airport's redevelopment. TSMC's investment also attracted related Taiwanese semiconductor industries to the region. As a result, the area around the airport has become a hub for semiconductor-related companies, bringing

a significant number of engineers and business travelers from both Taiwan and abroad to Kumamoto, and boosting Taiwanese visitors to the area.

STARLUX Airlines was the first to announce a new Taipei–Kumamoto route in June 2023 (Taipei Times, 2023). China Airlines followed suit by launching the same route in the same month(China Airlines, 2023), with two flights per week. Figure 1 illustrates the scheduled flights between Taiwan and Kumamoto from January 2019 to May 2025. China Airlines originally launched the Kaohsiung–Kumamoto scheduled route at the end of October 2015, which, until February 2020, was the only direct flight from Taiwan to Kumamoto, operating 24 to 28 flights per month. This route was suspended from 2020 to 2023 due to the pandemic, and resumed service in February 2025. Since the announcements by STARLUX Airlines and China Airlines in 2023 of new Taipei–Kumamoto routes, flight services between Taiwan and Kumamoto have significantly increased. Monthly flights exceeded 100 as of March 2024. Compared to 24 flights in January 2019, the number of flights rose to 132 in May 2025.

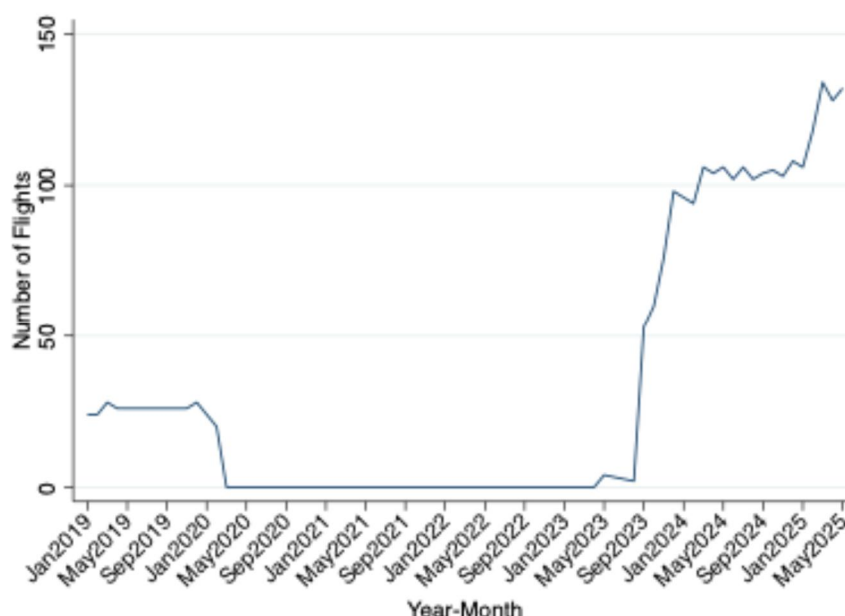


Figure1: Scheduled flights between Taiwan and Kumamoto
(Source: Civil Aviation Administration MOTC)

Kyushu Kumamoto International Airport Co., Ltd. reported in its FY2024 consolidated financial results that, due to the launch of new flight routes and the clustering of semiconductor-related industries, the sharp increase in passenger traffic significantly boosted overall performance(KKIAC, 2025). Notably, revenue

from retail sales, primarily from duty-free stores, generated an operating profit of approximately 440 million yen, marking a turnaround from losses to profitability.

3.2 Air Connectivity in Other Prefectures of Kyushu

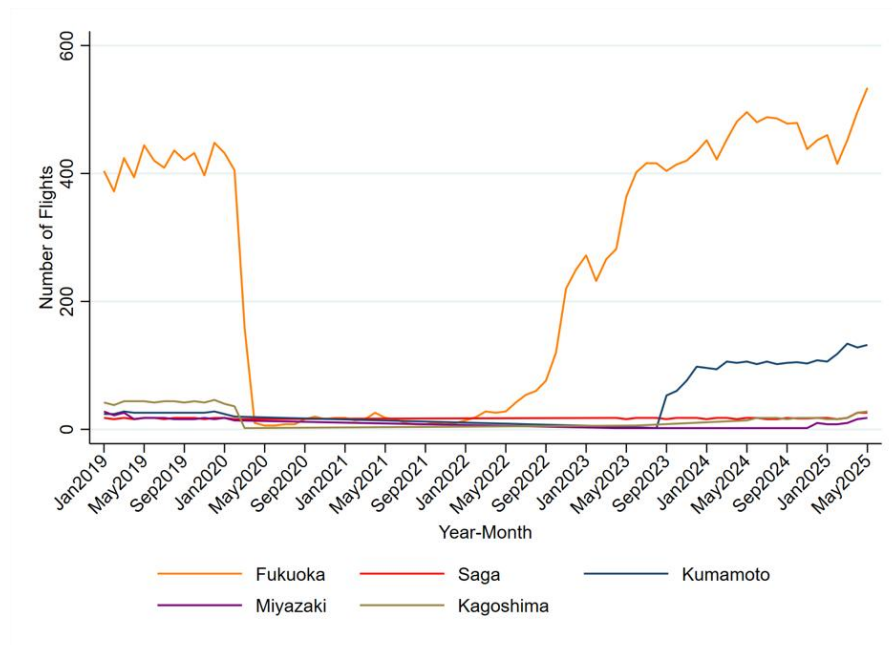


Figure 2: Scheduled flights between Taiwan and Kyushu
(Source: Civil Aviation Administration MOTC)

The effects of FDI from Taiwan extends beyond the increase in direct flights between Taiwan and Kumamoto, influencing other regions across Kyushu as well. A comparison of scheduled flights from Taiwan to Kyushu between 2019 and May 2025 (Figure 2) reveals that, prior to the COVID-19 pandemic, the number of flights between Taiwan and Fukuoka consistently ranked highest among Kyushu destinations. As the most populous prefecture in Kyushu, Fukuoka has played an increasingly central role in the region, bolstered by the development of economic services and improved transportation infrastructure.

Since the post-pandemic recovery of international tourism in 2023—alongside growing investment from Taiwan's semiconductor industry in Kyushu—the number of scheduled flights between Taiwan and Fukuoka has not only rebounded but also surpassed the levels before the pandemic by 2024. As of May 2025, the upward trend in flight frequency continues.

In contrast, other Kyushu regions such as Saga, Miyazaki, and Kagoshima have not yet fully recovered their pre-pandemic flight volumes. Nevertheless, their

infrastructure and proximity to rapidly developing neighboring cities in Kyushu position them favorably for potential growth.

4. Changes in the purpose of visit among Taiwanese visitors to Kyushu: Insights from the Cases of Fukuoka and Kumamoto

Leisure (Temporary Visitors) is the primary purpose for Taiwanese visitors traveling to the various prefectures of Kyushu. With the construction of JASM, many TSMC employees have relocated from Taiwan to Kumamoto. This section uses statistical data from the Immigration Services Agency to compare the changes in the purposes of visits by Taiwanese travelers to Fukuoka and Kumamoto Prefectures in 2023 and 2024. Among the categories, Highly-skilled refers to Highly-Skilled Professional (i)(b), and ESI stands for Engineer/Specialist in Humanities/International Services.

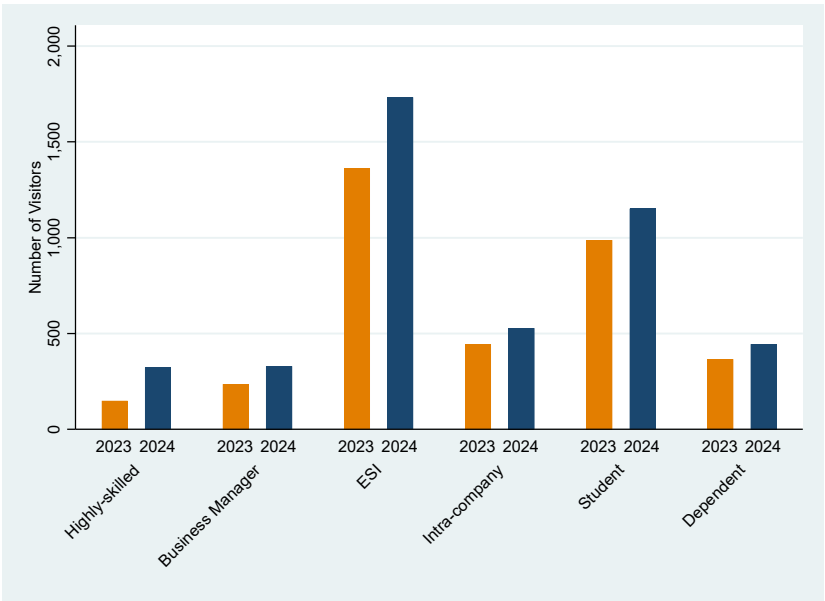


Figure 3: Change in purpose of visit to Fukuoka by Taiwanese Visitors (Excluding Temporary Visitors)
(Source: Immigration Services Agency of Japan)

Figure 3 shows the changes in the purpose of visits by Taiwanese tourists to Fukuoka Prefecture. In both 2023 and 2024, ESI remained the primary reason for visits aside from leisure. This category includes fields such as physical sciences, nature sciences or humanities and social sciences. For example: engineers (such as those in mechanical engineering), designers, and language teachers employed by private companies.

The second most common purpose of visits is studying abroad (Student). Fukuoka is home to Kyushu University, one of the former Imperial Universities and a major destination for Taiwanese students pursuing overseas education.

The third most common purpose is "Dependent," indicating that some Taiwanese individuals working in Japan have had their family members relocate to Fukuoka to live with them.

It is noteworthy that all categories of visit purposes in the figure show growth in 2024 compared to 2023. This indicates that among Taiwanese visitors to Fukuoka, more people are coming to study or work.

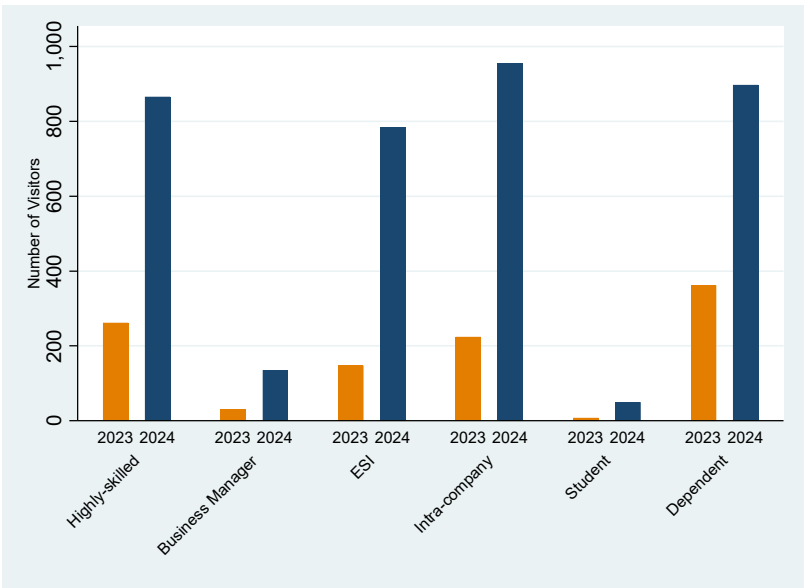


Figure 4: Change in purpose of visit to Kumamoto by Taiwanese Visitors
(Excluding Temporary Visitors)
(Source: Immigration Services Agency of Japan)

Figure 4 illustrates the changes in the purposes of visit by Taiwanese visitors to Kumamoto Prefecture. The categories of Highly-skilled, ESI, Intra-company, and Dependent have all increased significantly compared to other categories. This reflects how TSMC's FDI has influenced the flow of Taiwanese business professionals to Kumamoto.

In addition to business professionals, the number of employees of TSMC or related industries, along with their family members relocating to Kumamoto, has also risen. Overall, we can observe that all visit purposes in the figure have shown growth

compared to 2023. This indicates that among Taiwanese visitors to Kumamoto, more people are coming to work and live there.

5. Trends in destination choice among Taiwanese visitors in Kyushu

(1) Figure 5 shows the trends in overnight stays by prefecture in Kyushu from 2019 to 2024. Fukuoka Prefecture has consistently been the top destination in Kyushu for Taiwanese visitors. As the largest city in the region, Fukuoka plays a central role in Kyushu’s population, economy, and transportation networks. Kumamoto Prefecture ranks second, home to one of Japan’s three most famous castles—Kumamoto Castle—as well as the scenic Aso Volcano. Since TSMC expanded its operations in Kumamoto in 2023, the number of Taiwanese visitors visiting the prefecture (242,650 people) has surpassed pre-pandemic figures from 2019 (210,230 people), and the number continues to grow annually.

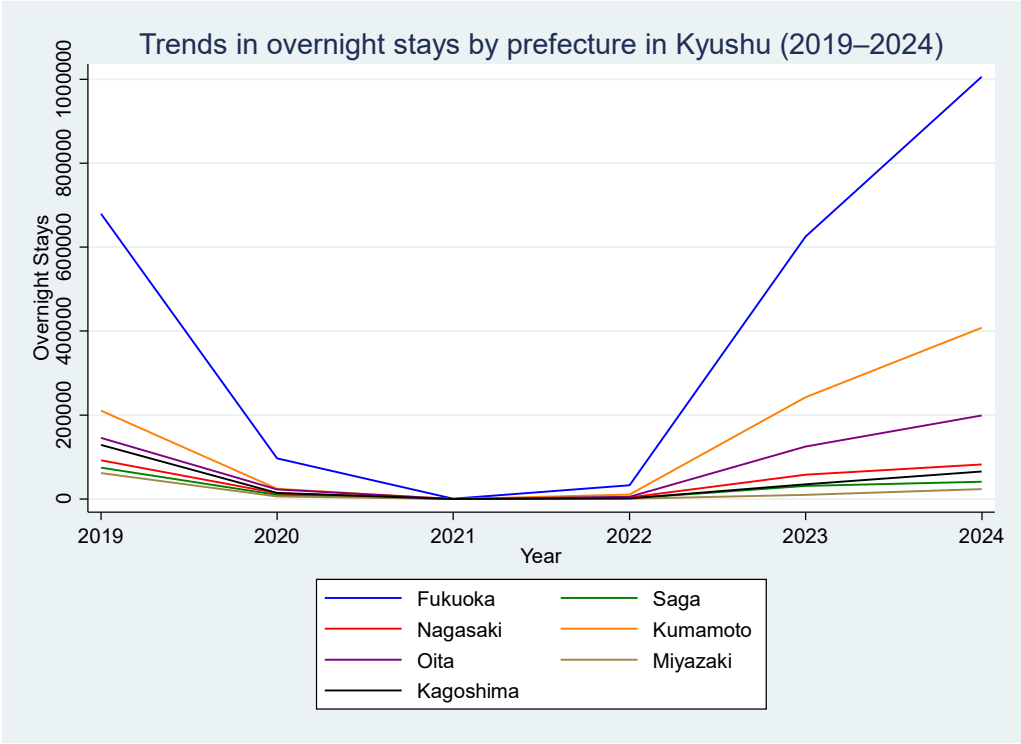


Figure 5: Trends in overnight stays by prefecture in Kyushu (2019-2024)
(Source: Japan Tourism Agency)

(2) Figure 6 compares the growth rates of Taiwanese tourist visits to each Kyushu prefecture in 2019 and 2023. It is observed that, except for Kumamoto Prefecture, all other prefectures in Kyushu experienced negative growth. This indicates that not only has the number of Taiwanese visitors to Kumamoto

recovered to pre-pandemic levels, but it has also surpassed them. This trend suggests that the effects of FDI from TSMC have started to manifest in Kumamoto Prefecture.

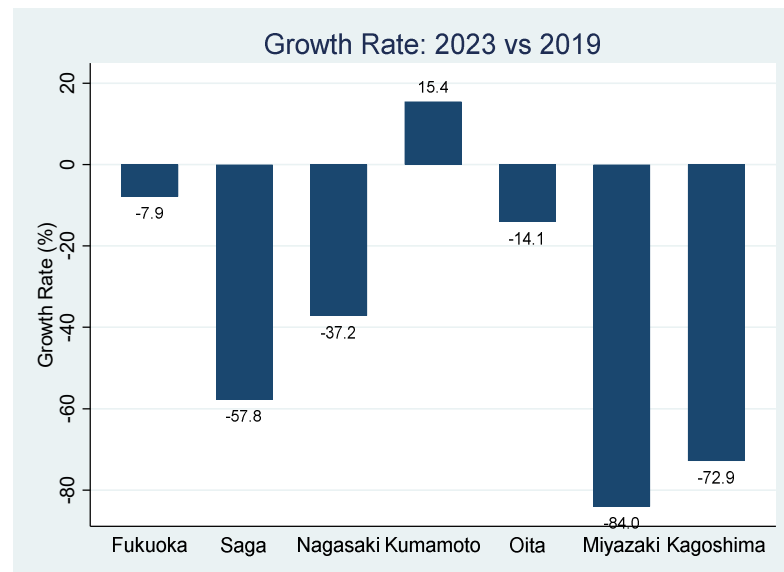


Figure 6: Growth Rate of Taiwanese tourist visits to each Kyushu prefecture in 2019 and 2023

(Source: Japan Tourism Agency)

- (3) Figure 7 compares the growth rates of Taiwanese tourist visits to each Kyushu prefecture in 2019 and 2024. It can be seen that Fukuoka, Kumamoto, and Oita Prefectures all recorded positive growth. Among them, Kumamoto experienced a 94.2% increase compared to pre-pandemic levels. This shows that in 2024, TSMC's FDI brought a significant surge in Taiwanese visitor numbers to Kumamoto, far exceeding pre-pandemic levels. Additionally, Oita Prefecture, which neighbors Kumamoto and is renowned as Kyushu's premier hot spring destination, also experienced growth. This suggests that TSMC's FDI not only attracted more Taiwanese visitors to Kumamoto but also boosted tourism development in surrounding areas.

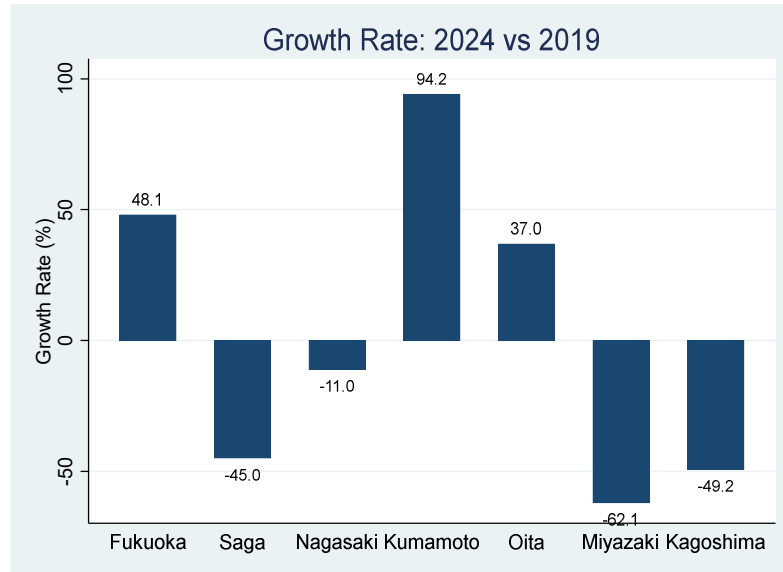


Figure 7: Growth Rate of Taiwanese tourist visits to each Kyushu prefecture in 2019 and 2024

(Source: Japan Tourism Agency)

6. Conclusion

Traditionally, strong infrastructure and densely populated areas have been important factors in attracting FDI. Conversely, the inflow of FDI can also serve as a key driver for accelerating the upgrading of a country's infrastructure. In this study, for example, FDI from TSMC has stimulated the clustering of semiconductor-related industries around Aso Kumamoto Airport. To accommodate international travelers and integrate into the semiconductor industry supply chain, the airport has intensified its overall upgrade needs, especially in enhancing its international flight and logistics functions.

FDI promotes infrastructure improvement, which in turn attracts enterprises and tourists, thereby not only improving the economic conditions of specific regions but also generating spillover effects and positive impacts on surrounding areas. The entry of TSMC into Kumamoto first boosted visits from TSMC employees and their families, as well as business travelers related to the semiconductor industry. Previously, Fukuoka Airport was the primary international gateway for Taiwanese visitors entering Kyushu. However, with the opening and expansion of direct flights between Taiwan and Kumamoto, more Taiwanese visitors have been attracted to visit Kumamoto. The number of Taiwanese visitors using Kumamoto as their destination has increased significantly, and nearby cities such as Oita Prefecture

have also benefited from spillover effects, with the number of Taiwanese visitors to Oita rising substantially compared to the pre-pandemic period.

As economic cooperation between Taiwan and Japan continues to deepen, the role of semiconductor-related FDI in driving infrastructure development, tourism growth, and local economic transformation will become increasingly critical in the future.

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