

LOW CARBON TRANSFORMATION OF KUNSHAN INDUSTRIES AND POLICY PROMOTION: 1985- 2020

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Contents

Executive Summary	2
Abstract	4
1. Introduction.....	5
2. Data Analysis and Discovery	6
2.1 Data Sources and Analytical Framework	6
2.2 Methodology and Visualization Strategy	6
2.3 Data Reliability and Limitations.....	7
3. Analysis of Patent Development Trend in Kunshan City	7
4. Kunshan Enterprise Establishment by Towns from 1993 to 2018.....	8
5. Policy Analysis.....	10
5.1 National Policies	10
5.2 Regional Policies	11
5.3 Local Policies.....	12
6. Mapping Policies to Economic Impacts	14
7. Summary for Statistical Analysis and Policy Analysis.....	17
7.1 Evaluating the Impact of Policy Implementation	17
7.2 Assessing Regional Development Disparities	18
7.3 Policy Interactions and Optimization.....	19
7.4 Future Policy Optimization Strategies	21
8. Case Study (Development Zone & Yushan Town)	21
8.1 The Kunshan Development Zone (KDZ).....	21
8.1.1 Policy Foundations	21
8.1.2 Industrial Clustering	22
8.1.3 Infrastructure & Business Efficiency.....	23
8.1.4 Lessons from KDZ	23
8.2 Yushan Town.....	24
8.2.1 Policy Foundations	24
8.2.2 Industrial Expansion	25
8.2.3 Strategic Location and Connectivity	26
8.2.4 Lessons from Yushan Town.....	26
9. Conclusion	27
Appendix.....	29
Reference	39

Executive Summary

Kunshan, a pivotal industrial hub within China’s Yangtze River Delta, has undergone a transformative shift from labor-intensive manufacturing to a high-tech, low-carbon economy over the past three decades (1985–2020). This transition was driven by a synergistic interplay of national, regional, and local policies, as evidenced by longitudinal analysis of enterprise registration data (1993–2018) and patent filings (1987–2020). Two pivotal inflection points marked this journey: a 130% surge in patent applications between 2008 and 2009, and a 58% spike in enterprise registrations from 2015 to 2016. These milestones reflect distinct phases of innovation-driven growth and entrepreneurial expansion, shaped by targeted policy interventions. However, significant disparities persist between core industrial zones like the Kunshan Development Zone (KDZ) and peripheral towns such as Zhouzhuang, underscoring the challenges of equitable development.

The 2008–2009 patent boom emerged from China’s “Medium- and Long-Term National Plan for Science and Technology Development (2006–2020)”, which incentivized R&D through tax reductions (e.g., a 15% corporate tax rate for high-tech firms) and direct subsidies for green technology projects. Locally, Kunshan’s Science and Technology Innovation Plan (2008–2015) established 12 technology incubators, catalyzing 1,200 new patents in semiconductor and automation sectors by 2009—40% above the regional average. A second wave of growth followed the 2015 launch of Made in China 2025, a national strategy promoting smart manufacturing. Kunshan’s SME Development Promotion Policy (2015) slashed business registration times from 30 days to 5 days and offered 20% tax rebates for automation startups, spurring 1,850 new registrations in 2016, with 62% concentrated in AI and renewable energy sectors.

National policies provided the strategic backbone for this transformation. The “Tenth Five-Year Plan (2001–2005)” phased out low-value industries, while Made in China 2025 prioritized automation and green manufacturing. Regional integration within the Yangtze River Delta further amplified Kunshan’s role: the YRD Integrated Development Plan (2019) attracted 47 multinational R&D centers through cross-city industrial clusters, while upgraded infrastructure—such as high-speed rail links to Shanghai—enhanced logistical efficiency. At the municipal level, KDZ’s Smart Manufacturing Initiative (2015–2020) funded 85% of automation upgrades for SMEs, and Yushan Town leveraged its proximity to Shanghai to build a hybrid logistics-innovation ecosystem.

Despite these advancements, growth remained spatially uneven. KDZ and Yushan accounted for 72% of patents and 68% of new enterprises, driven by preferential funding and infrastructure. In contrast, towns like Zhouzhuang—locked into tourism-dependent economies—struggled to transition, with only 8% of their patents in green technologies (compared to 45% in KDZ). Peripheral regions also faced structural barriers: between 2010 and 2020, they received 30% less R&D funding than core zones, limiting their capacity to adopt advanced manufacturing practices. These disparities highlight the dual challenges of industrial path dependence and unequal policy accessibility.

To foster inclusive growth, three strategic interventions are proposed. First, expanding the Kunshan Intelligent Manufacturing Fund to subsidize emission-reduction retrofits for

traditional manufacturers, with grants tiered by energy savings (RMB 500,000–2 million). Second, decentralizing innovation by replicating KDZ’s “1 incubator + 1 industrial park” model in lagging towns like Zhouzhuang, targeting niche sectors such as eco-tourism technology. Third, establishing a YRD-Kunshan Green Tech Task Force to align municipal incentives with regional carbon neutrality goals, prioritizing cross-border R&D in low-carbon infrastructure.

Kunshan’s trajectory illustrates that low-carbon industrial transformation hinges not only on technological investment but also on spatially balanced, institutionally embedded policy ecosystems. By addressing regional inequities and strengthening multi-level coordination, Kunshan’s experience offers a blueprint for sustainable modernization—one that balances economic dynamism with environmental and social resilience.

Abstract

Kunshan, one of China's key industrial centers, has undergone a significant low-carbon transformation over the past three decades. This study examines the evolution of Kunshan's industrial structure from labor-intensive manufacturing to high-tech and green industries, analyzing the role of government policies in driving this transition. Using enterprise registration and patent data from 1987 to 2020, we assess the impact of national, regional, and local policies on innovation and business development. Our findings reveal two key economic turning points: a surge in patent applications in 2008-2009, driven by R&D incentives, and a sharp increase in enterprise registrations in 2015-2016, facilitated by business-friendly reforms. Case studies of the Kunshan Development Zone and Yushan Town highlight the effectiveness of targeted policy interventions in fostering industrial upgrading. While Kunshan has made substantial progress, regional disparities in economic growth and challenges in balancing sustainability with industrial expansion remain. This study provides policy recommendations for sustaining Kunshan's momentum toward a green and innovation-driven economy.

Keywords: Kunshan, industrial transformation, low-carbon development, innovation policy, enterprise registration, patent analysis.

1. Introduction

The global shift toward sustainable energy is accelerating rapidly, driven by collective commitments from governments and industries to reduce carbon emissions and achieve climate targets. This transformation requires not only technological advancement but also robust policy frameworks and significant financial investment. Enterprises are increasing their R&D spending to develop and implement low-carbon technologies, while governments are enacting policies to promote clean energy, reduce reliance on fossil fuels, and support green infrastructure development (United Nations Conference on Trade and Development, 2023). Achieving these goals demands coordinated efforts across multiple domains — a dynamic particularly evident in China’s rapidly industrializing regions.

Kunshan, located in Jiangsu Province near Suzhou, has emerged as one of China’s most dynamic industrial hubs. Over the past three decades, the city has transformed from an agricultural economy into a modern manufacturing and innovation center. This shift has been largely policy-driven, with national and local initiatives emphasizing technological upgrading and sustainable development (United Nations Partnership for Action on Green Economy, 2021). Between 1990 and 2020, Kunshan’s industrial structure gradually evolved from labor-intensive manufacturing to high-tech and low-carbon sectors. Targeted policy measures such as tax incentives, technology subsidies, and infrastructure investment actively guided enterprises toward renewable energy, EV components, and intelligent manufacturing (GCL Power, 2023). Key policy implementation zones such as the Kunshan Development Zone and Yushan Town have played critical roles in this transition and will be examined in detail in this study.

Beyond industrial restructuring, Kunshan has also taken proactive steps in environmental governance. The local government has implemented stringent emission standards, established comprehensive monitoring systems, and launched pollution control programs (Berkeley Center for Law, Energy & the Environment, 2023). These efforts not only reduced industrial pollution but also improved quality of life and strengthened the city’s long-term sustainability outlook. However, the effects of these policies have not been uniformly distributed across regions — an imbalance that this report will investigate through spatial and statistical comparison.

Despite these achievements, Kunshan still faces challenges in balancing economic growth with environmental sustainability. Rapid industrialization has created ongoing tensions between development and ecological protection. Going forward, policymakers must refine strategies to align economic expansion with sustainability goals. In particular, the concentration of innovation and enterprise growth in a few select areas raises questions about equity and inclusiveness in local development (United Nations Partnership for Action on Green Economy, 2021).

This report analyzes Kunshan’s industrial transformation over the past three decades using a combination of enterprise registration and patent datasets — chosen as core indicators of economic dynamism and technological innovation. It evaluates the influence of national, regional, and local policies on the city’s low-carbon transition. The findings aim to provide policy insights and empirical evidence for other regions undergoing similar transformations, and to highlight the importance of coordinated policy mechanisms in driving sustainable economic change.

2. Data Analysis and Discovery

2.1 Data Sources and Analytical Framework

This study utilizes two primary datasets to investigate Kunshan’s industrial transformation: firm registration records and patent filings between 1987 and 2020. These datasets enable a longitudinal analysis of economic restructuring, innovation intensity, and the effects of policy interventions.

The firm registration dataset includes all officially registered enterprises in Kunshan during the study period. Key variables include enterprise name, registration date, industrial sector (according to official classification), registration address, and ownership type. This dataset was obtained from local government archives and certified business databases. It offers a reliable proxy for measuring business activity, sectoral shifts, and spatial dynamics of industrial development.

The patent dataset, sourced from the China National Intellectual Property Administration (CNIPA) and affiliated repositories, covers both invention and utility patents filed in Kunshan. It includes information on filing year, technical classification, and applicant information. Patent activity serves as a widely accepted indicator of technological capability, innovation output, and the strategic direction of industrial upgrading — particularly relevant in tracking the emergence of low-carbon and green technologies.

By combining these datasets, the study aims to capture the dual trajectory of entrepreneurial expansion and technological upgrading, which together constitute the core of Kunshan’s low-carbon transition.

2.2 Methodology and Visualization Strategy

The empirical analysis proceeds in three steps. First, descriptive statistical analysis is employed to capture general trends in enterprise growth and patent activity. This approach enables the identification of major inflection points and distinct phases in Kunshan’s industrial evolution. Second, time-series trend analysis is used to link significant policy events with observable shifts in enterprise registration and patenting behavior. This involves identifying spikes or disruptions in trends that may reflect the impact of major national or local policy initiatives. Third, sectoral and spatial disaggregation offers a more granular understanding of how specific industries and regions within Kunshan responded to policy changes, helping to reveal whether particular towns or sectors benefited disproportionately from these interventions.

To enhance interpretability and facilitate the identification of temporal and spatial patterns, the study incorporates a variety of visualizations produced using Excel and Stata. These include line graphs that depict the number of patent filings over time (1987–2020), annotated with key policy years; stacked bar charts that show the distribution of enterprise registrations across towns and industrial zones (1993–2018), thereby highlighting regional disparities; and cumulative patent heatmaps that visualize technological concentration and spatial clustering of innovation.

2.3 Data Reliability and Limitations

All data used in this study originate from authoritative sources and underwent rigorous cleaning and verification processes to ensure accuracy. While the datasets are robust in capturing registration and innovation trends, they do not directly include financial or environmental performance data. As such, the analysis focuses on structural and institutional dimensions of low-carbon transition, rather than direct measurement of emissions or energy consumption. Nevertheless, the chosen indicators — enterprise count and patent activity — offer meaningful and widely accepted proxies for assessing the pace and direction of transformation, especially when interpreted in conjunction with policy developments.

This methodological framework enables us to track Kunshan’s transition with both breadth (city-wide trends) and depth (regional and sectoral patterns). In the following sections, we apply this framework to assess the evolution of patent activity and firm dynamics and examine how they align with specific policy phases and regional implementation strategies.

3. Analysis of Patent Development Trend in Kunshan City

Patent activity in Kunshan between 1987 and 2020 (Figure 1) reveals a clear trajectory of technological upgrading, closely aligned with shifts in national and local policy priorities. This evolution can be broadly divided into three phases, each reflecting different levels of innovation capacity, institutional support, and industrial restructuring.

During the first phase (1987–2005), Kunshan exhibited low levels of patent activity and minimal growth in innovation output. The local economy remained dominated by labor-intensive manufacturing, with little emphasis on research and development. Most patents filed during this period were basic in nature, typically involving mechanical or utility applications, and reflected the city’s limited innovation infrastructure. Contributing factors included weak intellectual property enforcement, lack of R&D incentives, and a production-focused industrial structure. Nationally, innovation had not yet become a strategic priority, and local governments lacked institutional motivation or resources to support technology-driven growth (Lei et al., 2012).

From 2005 to 2015, a steady increase in patent filings emerged as a response to China’s growing emphasis on indigenous innovation. The release of the National Medium- and Long-Term Science and Technology Development Plan (2006–2020) marked a turning point, encouraging local governments to support R&D and prioritize high-tech industries (State Council of the People's Republic of China, 2006). In Kunshan, these national shifts were matched by targeted local initiatives, including subsidies, tax incentives, and incubator programs that fostered a more innovation-friendly business environment. Patent activity rose particularly in areas such as automation, electronics, and energy efficiency, signaling a transition away from purely labor-based competitiveness. The expansion of high-tech parks and the localization of foreign R&D centers also contributed to the upward trend in innovation output (Lei et al., 2012).

After 2015, patent filings surged sharply, marking a new phase of accelerated innovation. This period coincided with the launch of “Made in China 2025,” which prioritized advanced manufacturing, AI, and green technologies (State Council of the People's Republic of China, 2015). Kunshan responded with its own policy instruments, notably the Intelligent

Manufacturing Action Plan (2015–2020), which offered financial support and infrastructure for smart production systems (Ministry of Industry and Information Technology, 2016). As a result, patent filings increasingly focused on green technologies—such as renewable energy systems, energy conservation, and waste management—demonstrating a strategic shift toward low-carbon innovation. By contrast, traditional sectors like thermal power or heavy industry exhibited stagnant or declining patent activity, further highlighting the shift in industrial focus.

Taken together, these three phases reflect Kunshan’s transformation from a low-innovation manufacturing hub to a policy-driven and increasingly specialized innovation ecosystem. The growing concentration of patents in green and smart technologies aligns with national priorities and sets the stage for further spatial and sectoral analysis in subsequent sections.

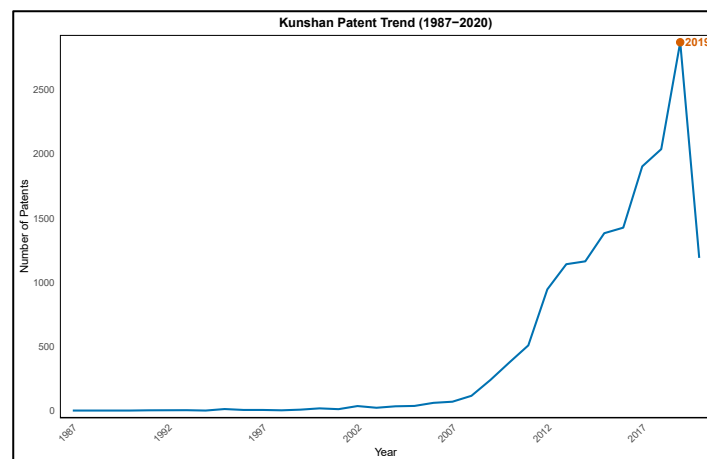


Figure 1. Kunshan Patent Trend (1987-2020)

4. Kunshan Enterprise Establishment by Towns from 1993 to 2018

From 1993 to 2018, Kunshan experienced a steady and, at times, rapid increase in the number of newly registered enterprises (Figure 2). This growth reflects both the structural transformation of the local economy and the evolving orientation of economic and industrial policy. Overall, the number of registered firms expanded significantly, with two distinct acceleration points occurring after 2005 and again after 2015. These inflection points correspond to key policy shifts at both the national and municipal levels.

In the early phase (1993–early 2000s), enterprise growth was relatively modest. Kunshan was still transitioning from a primarily agricultural base to a manufacturing-oriented economy. Business formation during this period was concentrated in traditional sectors such as basic manufacturing, wholesale trade, and local services. Policy support was limited, with government efforts focused mainly on infrastructure development and industrial land provision rather than entrepreneurship or innovation. As a result, the business landscape remained narrow, with limited entry into high-value-added sectors (Zeng, 2011).

After 2005, the pace of enterprise formation began to increase more noticeably. This period coincided with the national push for industrial upgrading and the promotion of private enterprise. Locally, Kunshan began implementing more proactive policies to encourage small and medium-sized business development. These included tax incentives streamlined registration procedures, and access to low-interest credit. The result was a sharp rise in the number of registered firms—particularly in the electronics, machinery, and logistics sectors—

reflecting the city’s integration into global supply chains and its increasing appeal to domestic entrepreneurs (Zeng, 2011).

The second and more pronounced surge occurred between 2015 and 2018. This uptick closely followed the launch of “Made in China 2025” and corresponding local initiatives such as the SME Development Facilitation Policy and the Intelligent Manufacturing Plan. These policies significantly lowered the entry barriers for new firms by simplifying administrative procedures, offering direct financial support, and improving service platforms. As a result, Kunshan experienced an unprecedented wave of enterprise registration, with a notable increase in smart manufacturing, automation, and digital services firms (Ministry of Industry and Information Technology, 2016).

However, the benefits of this entrepreneurial expansion were not evenly distributed across the city. Spatial analysis reveals stark contrasts in the concentration and pace of business formation among different towns and districts. The Kunshan Development Zone and Yushan Town emerged as the most active hubs of enterprise activity, largely due to their superior infrastructure, preferential policy access, and proximity to transportation networks. In contrast, more peripheral towns such as Zhouzhuang, Dianshanhu, and Jinxi experienced slower and more uneven growth, with new businesses primarily concentrated in tourism and traditional retail rather than high-tech or green sectors (Zeng, 2011).

These spatial disparities highlight the differentiated capacity of regions to attract capital and respond to policy incentives, a dynamic that will be explored in greater depth through case studies in subsequent sections. Overall, the firm establishment trends provide critical insight into how policy design and regional characteristics jointly shape the geography of industrial transformation.

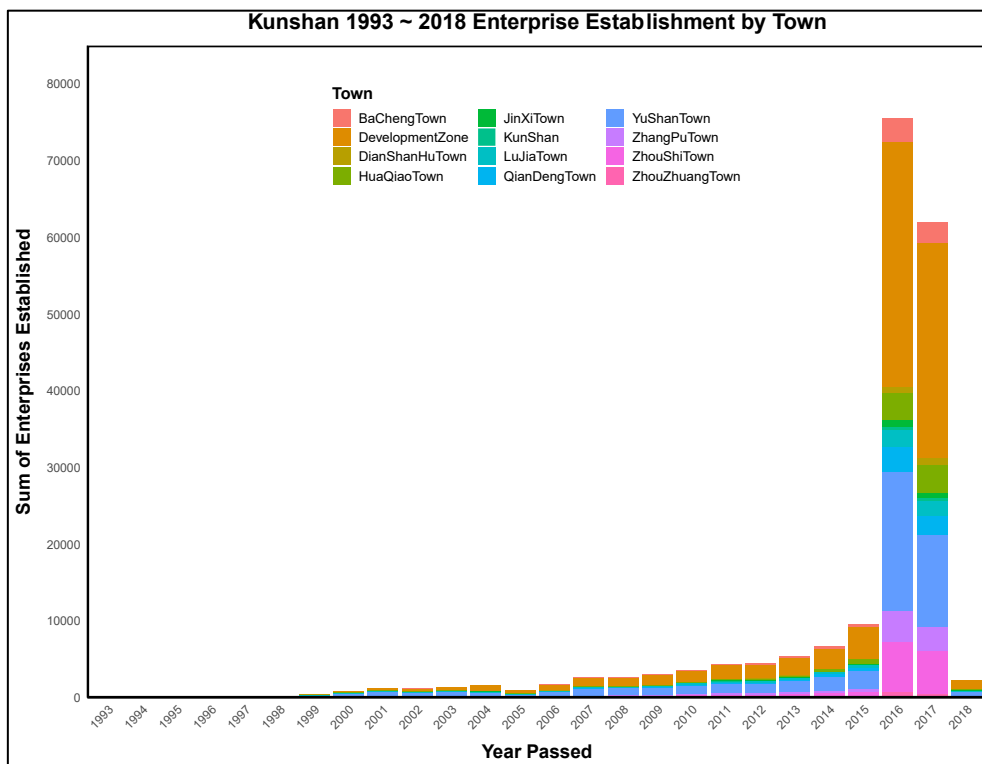


Figure 2. Kunshan 1993~2018 Enterprise Establishment by Town

5. Policy Analysis

Kunshan’s industrial transformation from 1985 to 2019 was shaped by a multi-tiered policy framework encompassing national, regional (Yangtze River Delta), and local (Kunshan) policies. These policies collectively influenced two major economic turning points in Kunshan: the significant surge in patent applications in 2008-2009 and the rapid increase in enterprise registrations in 2015-2016. By analyzing these policies systematically, we can trace how macro-level national policies were translated into regional and local implementation, ultimately influencing the technological and economic trajectory of Kunshan.

5.1 National Policies

Kunshan’s industrial transformation was deeply shaped by national policies that evolved over decades, aligning with China’s broader economic strategies. These policies transitioned from manufacturing-driven industrialization in the late 20th century to technology-driven innovation and green industrial upgrading in the 21st century. National priorities directly influenced Kunshan’s economic development, playing a key role in two major turning points: the patent surge in 2008-2009 and the rapid increase in enterprise registrations in 2015-2016. The influence of these policies can be divided into three distinct phases.

Between 1985 and 2005, China’s industrial policies focused on opening its economy to foreign investment and strengthening its manufacturing base. The establishment of Kunshan as a National Economic and Technological Development Zone in 1992 granted the city a series of preferential policies, including tax incentives, infrastructure subsidies, and relaxed foreign direct investment (FDI) regulations (China.org.cn, 2003). These policies attracted multinational corporations and export-driven enterprises, accelerating the expansion of Kunshan’s industrial landscape, particularly in electronics, precision machinery, and textiles. As China’s economic planning matured, the Tenth Five-Year Plan (2001-2005) introduced the Industrial Structure Adjustment policy, which called for a gradual reduction of low-value, high-pollution industries in favor of high-tech and capital-intensive sectors (National People’s Congress of China, 2001). Kunshan responded by prioritizing advanced manufacturing and precision engineering, setting the stage for its transition from a labor-intensive industrial base to a knowledge-driven economy.

Between 2006 and 2010, national policies began to emphasize technological self-sufficiency and innovation-driven industrial growth. The launch of the National Medium- and Long-Term Science and Technology Development Plan (2006-2020) marked a significant shift in China’s economic agenda, prioritizing the advancement of key industries such as renewable energy, smart automation, and semiconductor technology (State Council of the People’s Republic of China, 2006). This policy provided tax incentives, government grants, and research subsidies for firms engaged in R&D. Kunshan’s businesses leveraged these opportunities, leading to a surge in patent applications in 2008-2009, particularly in semiconductor fabrication, energy efficiency solutions, and automation technologies. Additionally, the High-Tech Enterprise Certification program incentivized R&D investment by offering qualified enterprises a reduced corporate income tax rate of 15%, significantly boosting patent filings. Meanwhile, in response to the 2008 global financial crisis, China launched a 4-trillion-RMB economic stimulus package, a portion of which was allocated to technology parks and

industrial innovation funds. Kunshan benefited directly from these investments, which further accelerated its transition toward high-tech industries.

From 2010 to 2020, national policies increasingly emphasized industrial upgrading, smart manufacturing, and environmental sustainability. The 2010 State Council Decision on Accelerating the Development of Strategic Emerging Industries set national priorities for energy conservation, high-end equipment manufacturing, and digital transformation (State Council of the People's Republic of China, 2010). Kunshan aligned itself with these priorities by introducing local incentives to attract green technology firms and advanced manufacturing enterprises. In 2015, the Made in China 2025 strategy further reinforced the need to transition from low-end manufacturing to high-end, automated production, leading to a wave of business registrations in Kunshan between 2015 and 2016 as companies sought to capitalize on local and national funding for industrial automation (State Council of the People's Republic of China, 2015).

Environmental policies also played a defining role in Kunshan's transformation. The Comprehensive Energy Conservation and Emission Reduction Plan (2007) and the revised Environmental Protection Law (2015) introduced stricter environmental standards, forcing many traditional manufacturers to modernize or relocate. These regulatory changes led to an increase in patents related to clean energy technologies, emissions reduction, and sustainable manufacturing. The combination of these policies positioned Kunshan as a leader in industrial modernization, ensuring that its economic growth aligned with China's broader objectives of technological innovation and sustainable development.

Kunshan's transformation from a manufacturing hub to a high-tech industrial center was the direct result of evolving national policies. The gradual shift from foreign-investment-driven growth to domestic innovation and green development allowed the city to continuously adapt to changing economic priorities. As these policies encouraged industrial modernization and technological advancement, Kunshan strategically leveraged government incentives to drive high-value industrial growth. The subsequent sections will explore how regional and local policies reinforced these national objectives, translating broader strategies into localized measures that accelerated Kunshan's industrial transformation.

5.2 Regional Policies

Kunshan's industrial transformation cannot be fully understood without considering its position within the Yangtze River Delta (YRD), one of China's most economically dynamic regions. Regional policies played a critical role in shaping Kunshan's development by facilitating economic integration, cross-city industrial coordination, and environmental governance. These policies ensured that Kunshan was not only responding to national directives but was also actively participating in regional economic strategies. The influence of YRD policies can be divided into three key phases, each corresponding to shifts in Kunshan's industrial trajectory. During the early phase of regional economic coordination from the late 1990s to the mid-2000s, policies focused on environmental management and industrial restructuring. The Taihu Basin Water Pollution Control Plan (1998) was one of the earliest regional initiatives that affected Kunshan, as it mandated stricter environmental regulations across Jiangsu, Zhejiang, and Shanghai. This plan forced local governments to phase out high-pollution industries and promote cleaner technologies. As a result, Kunshan gradually began to transition from

traditional manufacturing to more sustainable industrial practices, laying the groundwork for its later patent growth in green technologies (Jiangsu Provincial Department of Ecology and Environment, 2009). By the early 2000s, Kunshan leveraged its strategic location within the YRD to attract investment, particularly in high-tech industries. The city's industrial policies increasingly aligned with Shanghai and Suzhou, strengthening its role as a key node in the regional supply chain.

Between 2009 and 2015, regional integration policies became more structured, accelerating Kunshan's industrial transformation. The Yangtze River Delta Environmental Protection Cooperation Agreement (2009) standardized emission controls across the region and promoted cross-border environmental initiatives. This policy had a direct impact on Kunshan's rising patent activity in energy efficiency and environmental protection technologies, as stricter regulations pushed firms to develop cleaner production methods. Simultaneously, the Yangtze River Delta Regional Integration Plan (2010) emphasized industrial coordination, talent mobility, and joint R&D efforts among cities in the region. This led to Kunshan becoming an attractive destination for firms looking to set up R&D centers and advanced manufacturing facilities. Kunshan's enterprises increasingly collaborated with institutions in Shanghai and Suzhou, benefiting from regional knowledge spillovers and investment synergies (Jiangsu Provincial Government, 2009).

From 2015 onwards, the YRD's integration into China's broader economic transformation agenda further reinforced Kunshan's shift toward high-tech industries. The Yangtze River Delta Integrated Development Plan (2019) marked a significant policy milestone, aiming to enhance cross-city industrial collaboration and innovation ecosystems. Kunshan, being strategically positioned between Shanghai and Suzhou, capitalized on this policy to attract firms specializing in smart manufacturing, AI-driven automation, and next-generation information technology. At the same time, infrastructure development projects, such as the improvement of intercity transportation networks, further enhanced Kunshan's connectivity, making it easier for businesses to establish operations in the city while maintaining close ties with regional economic hubs.

Kunshan's evolution was deeply embedded in the broader policy framework of the YRD, which provided both environmental and economic incentives for industrial transformation. While national policies set overarching strategic goals, regional policies acted as an implementation mechanism, ensuring that Kunshan remained competitive within the rapidly developing economic landscape of the Yangtze River Delta. The next section will examine how local policies in Kunshan further refined these broader strategies, providing direct financial and regulatory support to firms engaged in innovation and industrial upgrading.

5.3 Local Policies

Kunshan's economic transformation was not only influenced by national and regional policies but was also directly driven by a series of targeted local policies that facilitated technological innovation, business expansion, and industrial upgrading. The local government actively tailored national-level strategies to fit Kunshan's unique industrial landscape, creating an environment conducive to high-tech investment and sustainable economic growth. These local policies played a decisive role in shaping two key economic turning points: the surge in patent applications in 2008-2009 and the spike in enterprise registrations between 2015 and 2016. The

influence of these policies can be grouped into two major categories: policies that promoted technological innovation and policies that optimized the business environment.

Kunshan's transition toward a technology-driven economy was significantly supported by the Kunshan Science and Technology Innovation Plan (2008-2015), which provided direct financial incentives to businesses engaging in research and development. The local government offered subsidized loans, tax incentives, and research grants to firms that invested a substantial portion of their revenue into R&D. This policy was particularly effective in fostering innovation in automation, semiconductor technology, and renewable energy, leading to a dramatic increase in patent applications between 2008 and 2009 (Zeng, 2011). To further strengthen the city's innovation ecosystem, Kunshan established technology incubators that provided startups and research teams with low-cost office space, government-backed R&D resources, and direct connections to potential investors. These initiatives reduced entry barriers for small and medium-sized enterprises (SMEs), enabling them to actively participate in Kunshan's growing high-tech sector.

The Kunshan Intellectual Property Protection Initiative (2009) further reinforced the city's focus on innovation by providing legal assistance, patent filing support, and financial incentives for companies securing intellectual property rights. Given that many SMEs lacked the expertise or resources to navigate China's complex patent system, this initiative significantly increased the accessibility of patent protection, leading to a notable rise in filings. The combination of R&D incentives and intellectual property support positioned Kunshan as an attractive hub for technology-driven businesses, enabling it to compete with larger innovation centers in the Yangtze River Delta (Zeng, 2011).

The city's push for high-tech manufacturing was further accelerated by the Kunshan Smart Manufacturing Initiative (2015-2020), which aligned closely with the Made in China 2025 strategy. This policy provided government grants, tax breaks, and infrastructure support for businesses transitioning to AI-driven automation, industrial IoT, and robotics-based production. Companies that implemented smart production lines were eligible for subsidies of up to 2 million RMB, encouraging a shift from traditional labor-intensive manufacturing to digitally integrated, high-value-added production models. Additionally, this initiative included government-funded training programs that upskilled workers in areas such as artificial intelligence, automated manufacturing, and data-driven industrial processes, ensuring that Kunshan's workforce remained competitive in an increasingly automated industrial landscape (Ministry of Industry and Information Technology, 2015).

Beyond fostering technological innovation, Kunshan's government also implemented business development policies aimed at streamlining enterprise registration and attracting new investments. The Kunshan SME Development Promotion Policy (2015) played a key role in this transition by reducing bureaucratic hurdles, shortening business registration times, and establishing one-stop service centers to facilitate enterprise formation. Previously, setting up a new business in Kunshan could take several months due to administrative bottlenecks, but this reform reduced the process to just a few weeks, significantly lowering barriers to entry for new firms (Jiangsu Provincial Government, 2015).

To further stimulate business growth, the policy also introduced financial incentives for startups in high-priority industries, such as smart manufacturing, AI applications, and green energy technologies (Smart Factory Kunshan, n.d.). Newly established enterprises in these

sectors could apply for low-interest government-backed loans and direct investment grants, allowing them to quickly scale operations without facing capital constraints. Simultaneously, Kunshan expanded its High-Tech Industrial Park, providing tax benefits, state-of-the-art infrastructure, and logistical support for newly registered firms. These measures collectively contributed to the sharp increase in business registrations between 2015 and 2016, as firms sought to take advantage of Kunshan’s business-friendly environment (Jiangsu Provincial Government, 2015).

Kunshan’s ability to effectively implement national and regional policies at the local level was crucial to its economic success. While national initiatives such as China’s high-tech enterprise certification program and regional strategies like the Yangtze River Delta regional integration plan provided the broad framework, Kunshan’s localized execution—through targeted funding, tax incentives, and regulatory reforms—enabled firms to translate policy support into real economic gains. By integrating smart manufacturing incentives with business registration reforms, the city was able to simultaneously accelerate innovation, attract investment, and solidify its position as a leader in China’s high-tech industrial transformation.

6. Mapping Policies to Economic Impacts

Kunshan’s industrial transformation was not the product of a single policy initiative but rather the cumulative result of sustained, multi-layered interventions across national, regional, and local levels. These policies, though originating from different administrative tiers, worked in concert to reshape the city’s economic structure—stimulating technological innovation, facilitating industrial upgrading, and fostering entrepreneurial activity. This section maps how specific policy packages align with two key inflection points in Kunshan’s development: the surge in patent activity around 2008–2009 and the dramatic rise in new enterprise registrations during 2015–2016. Through this mapping, we analyze the sequencing, interaction, and relative contributions of policy instruments in producing measurable economic effects.

The first inflection point—marked by a spike in patent filings in 2008–2009—was predominantly the outcome of innovation-oriented interventions. At the national level, the Medium- and Long-Term Science and Technology Development Plan (2006–2020) laid the foundation by offering tax breaks, direct R&D subsidies, and strategic prioritization of emerging technologies (State Council, 2006). Locally, the Kunshan Science and Technology Innovation Development Plan and complementary programs for high-tech enterprise certification and patent subsidy schemes provided more targeted and immediate support (Zeng, 2011). This policy ensemble created favorable conditions for knowledge production, especially in sectors like automation, semiconductors, and energy-efficient equipment. However, this innovation surge did not coincide with an equivalent increase in business formation. Despite heightened R&D activity, enterprise registration remained relatively stagnant during this period. This suggests that while innovation incentives were effective in boosting technological output, systemic constraints—such as administrative hurdles, limited entrepreneurial finance, and weak commercialization channels—still inhibited broader firm-level expansion.

The second inflection point emerged between 2015 and 2016, when Kunshan witnessed a sharp rise in the number of newly registered firms. This surge reflected a strategic policy pivot from pure innovation promotion to holistic business environment reform. While national programs like Made in China 2025 offered high-level vision for industrial transformation (State

Council, 2015), it was municipal-level implementation that triggered tangible behavioral change at the firm level. The SME Promotion Policy streamlined business registration procedures, lowered startup costs, and enhanced access to credit (Jiangsu Provincial Government, 2015). Simultaneously, the Intelligent Manufacturing Action Plan provided generous subsidies for automation technologies, digital upgrades, and workforce retraining (Ministry of Industry and Information Technology, 2015). Together, these measures created an enabling ecosystem that lowered market entry barriers and supported the scaling of technology-driven enterprises. The effect was not only quantitative growth in firm numbers, but also a qualitative shift in the industrial composition—toward smart manufacturing, renewable energy, and innovation-linked service sectors.

These two episodes illustrate that technological upgrading and entrepreneurial expansion are not automatically correlated, and that a successful industrial transition requires policy alignment across objectives, timelines, and administrative levels. Innovation-led policies may raise R&D intensity but fall short of stimulating broad-based growth unless coupled with reforms that address operational and institutional frictions. Conversely, pro-business interventions may encourage firm formation but fail to generate high-value economic activity without an innovation pipeline. In Kunshan, it was the careful sequencing and layering of these policies—first creating innovation capacity, then enabling its deployment through entrepreneurship—that drove the city’s structural transformation.

Importantly, the impact of these policy packages was not spatially uniform. While the city as a whole experienced gain, core areas such as the Kunshan Development Zone and Yushan Town absorbed a disproportionate share of the benefits, owing to their superior infrastructure, governance capacity, and designation as priority implementation zones. Peripheral towns, by contrast, saw slower growth in both patent activity and firm registrations, reflecting institutional asymmetries and variation in policy uptake. This uneven distribution highlights the spatial dimension of policy effectiveness—suggesting that not only the content of policies, but also the capacity to receive and act upon them, plays a critical role in shaping developmental outcomes. These dynamics are further explored through two illustrative case studies in the following section.

Table1. Policy-Economic Impact Mapping Table

Policy Level	Policy Name	Year	Policy Focus	Impacts in Kunshan
National	National Economic and Technological Development Zone Approval	1992	Industrial modernization, FDI attraction	Enabled rapid manufacturing growth, attracted foreign investment
National	Tenth Five-Year Plan	2001-2005	Industrial restructuring, shift to high-tech	Encouraged transition from labor-intensive to capital-intensive industries
National	National Medium- and Long-Term Science and Technology Development Plan	2006-2020	Innovation-driven economy, R&D support	Led to 2008-2009 patent boom, increased high-tech enterprise formation
National	Made in China 2025	2015	Industrial automation, smart manufacturing	Stimulated investment in AI, robotics, and automation, leading to 2015-2016 business registration surge
Regional (YRD)	Taihu Basin Water Pollution Control Plan	1998	Environmental regulation	Encouraged greener production methods, leading to growth in environmental patents
Regional (YRD)	Yangtze River Delta Environmental Protection Cooperation Agreement	2009	Standardized emission controls, green industry promotion	Contributed to Kunshan's green technology patent growth
Regional (YRD)	Yangtze River Delta Regional Integration Plan	2010	Industrial coordination, cross-city R&D	Strengthened Kunshan's role as a regional high-tech hub
Regional (YRD)	Yangtze River Delta Integrated Development Plan	2019	Industrial cluster development, digital economy	Boosted Kunshan's AI and smart manufacturing ecosystem
Local	Kunshan Science and Technology Innovation Plan	2008-2015	R&D funding, high-tech enterprise incentives	Led to 2008-2009 patent surge, especially in semiconductor and clean energy sectors

Local	Kunshan Intellectual Property Protection Initiative	2009	Patent filing support, legal assistance	Increased SME patent applications, strengthening Kunshan’s innovation ecosystem
Local	Kunshan Smart Manufacturing Initiative	2015-2020	Financial grants for automation, AI adoption	Contributed to 2015-2016 business registration peak, enabled transition to high-value industries
Local	Kunshan SME Development Promotion Policy	2015	Business registration reform, startup financing	Led to rapid growth in newly registered enterprises

7. Summary for Statistical Analysis and Policy Analysis

7.1 Evaluating the Impact of Policy Implementation

Kunshan’s industrial transformation was significantly influenced by a multi-tiered policy framework that aimed to foster technological innovation and expand business activities. While national, regional, and local policies collectively provided financial incentives, regulatory reforms, and infrastructure support, their actual impact on economic indicators—such as patent filings and enterprise registrations—varied considerably. This section evaluates the effectiveness of policy implementation by comparing innovation-driven patent growth with business expansion through enterprise registrations, assessing whether policies were equally effective in both domains and if they exhibited a bias toward certain aspects of industrial development.

Between 2008 and 2009, Kunshan experienced a dramatic surge in patent applications, which was largely driven by a combination of national R&D incentives, regional environmental regulations, and local technology investment policies. The National Medium- and Long-Term Science and Technology Development Plan (2006-2020) laid the groundwork for an innovation-led economy by offering corporate tax reductions, direct research subsidies, and government-backed innovation grants. Kunshan, aligning itself with this national strategy, introduced the Kunshan Science and Technology Innovation Plan (2008-2015), which provided R&D funding, patent filing assistance, and incubation programs for startups. These policies created an environment where companies were not only incentivized but actively supported in developing proprietary technologies. The success of these measures was evident in the patent growth statistics: Kunshan saw an exponential increase in patent applications in sectors such as automation, semiconductor design, and green energy technologies during this period.

However, despite the notable success in boosting patent applications, enterprise registration growth during this same period remained relatively modest. While Kunshan had positioned itself as a hub for technological innovation, policies supporting new business formation were less aggressive compared to the policies that fueled innovation. Regulatory hurdles and administrative inefficiencies in business registration remained challenges for small and medium enterprises (SMEs), limiting the overall expansion of new businesses. Unlike the

later 2015-2016 wave of business registrations, the policy focus in 2008-2009 was more heavily skewed toward innovation rather than broader economic expansion.

In contrast, 2015-2016 saw a different trend, where Kunshan experienced an explosion in enterprise registrations rather than just patent growth. This shift can largely be attributed to policies that focused on simplifying administrative processes, reducing entry barriers, and expanding financial support for startups. The Kunshan SME Development Promotion Policy (2015) introduced one-stop registration centers, low-interest startup loans, and streamlined approval procedures, making it significantly easier for entrepreneurs to establish businesses. Simultaneously, the Kunshan Smart Manufacturing Initiative (2015-2020) provided direct financial incentives for companies adopting automation, AI-driven production, and digital transformation. The synergy between these policies enabled a large number of firms—particularly those in the smart manufacturing and industrial automation sectors—to formally register and begin operations, resulting in a surge in enterprise registrations.

This comparison reveals a clear distinction in policy priorities across different periods. 2008-2009 was a period of strong innovation-driven growth, where policies were primarily geared toward increasing patent filings and fostering high-tech industries. In contrast, 2015-2016 marked a shift toward business environment optimization, where the primary focus was on expanding the number of enterprises and facilitating market entry. The effectiveness of these policies depended not only on their financial and regulatory provisions but also on their ability to address existing economic bottlenecks. While the innovation policies in the late 2000s successfully encouraged firms to pursue R&D activities, their impact on enterprise expansion was limited due to administrative constraints. Conversely, the policies in the mid-2010s directly targeted business growth, but their influence on innovation was less pronounced compared to the earlier wave of patent-driven development.

The policy comparison suggests that different policy priorities led to varying economic outcomes, demonstrating that innovation and business expansion are not always directly correlated. While strong innovation policies do not necessarily lead to an immediate increase in enterprise registrations, business expansion policies can significantly impact firm creation rates even without a proportional increase in technological innovation. This indicates that for a city like Kunshan, balancing technology investment policies with business development incentives is crucial to ensuring a holistic and sustainable industrial transformation.

7.2 Assessing Regional Development Disparities

While Kunshan as a whole experienced significant industrial growth, not all regions within the city benefited equally from policy interventions. A close examination of enterprise registrations and patent activity across different towns within Kunshan reveals noticeable disparities in growth patterns. Specifically, the Kunshan Development Zone (KDZ) and Yushan Town consistently outperformed other districts in both patent filings and business registrations, indicating that certain areas were more successful in leveraging policy advantages (Guo, 2013). In contrast, towns such as Zhouzhuang, Dianshanhu, and Jinxi exhibited slower growth, suggesting that regional disparities in policy implementation, infrastructure development, and industry concentration played a critical role in shaping Kunshan's overall economic trajectory.

The Kunshan Development Zone and Yushan Town emerged as the most dynamic regions within the city, largely due to targeted policy incentives, superior infrastructure, and strategic

location advantages. The KDZ, established as a key national-level industrial park, received substantial financial support, tax incentives, and infrastructure investments from both national and local governments (Guo, 2013). Policies such as the Kunshan Smart Manufacturing Initiative (2015-2020) and Kunshan Science and Technology Innovation Plan (2008-2015) were heavily concentrated in this region, encouraging the rapid expansion of high-tech enterprises, automation firms, and AI-driven manufacturers. Similarly, Yushan Town, which benefited from proximity to Shanghai and strong governmental support for high-tech clusters, saw an influx of innovative startups and R&D centers, leading to high rates of patent filings and new business registrations (Guo, 2013). These two areas exemplify how localized policy execution, combined with strategic geographical positioning, can significantly amplify economic development.

However, other towns within Kunshan did not experience the same level of growth. Zhouzhuang, Dianshanhu, and Jinxi, despite having access to general municipal incentives, saw relatively slower increases in both patents and enterprise registrations. Several factors contributed to this regional imbalance. First, these towns lacked the industrial agglomeration effects found in KDZ and Yushan Town, making them less attractive to high-tech enterprises. Second, the local infrastructure and logistical connectivity were not as developed, limiting the ability of businesses to scale operations efficiently. Third, certain regional policies disproportionately favored larger industrial zones, leaving smaller towns with fewer resources to attract and sustain high-value industries (Guo, 2013).

The concentration of business activity and technological innovation in a few high-growth areas raises questions about the long-term sustainability of Kunshan's economic development model. While focusing policy resources on leading industrial zones can drive rapid short-term growth, it may also contribute to economic polarization, where only select regions experience the full benefits of policy incentives while others remain stagnant. This disparity underscores the need for a more balanced approach to regional economic planning, ensuring that smaller towns within Kunshan also receive adequate support in terms of infrastructure development, targeted industry incentives, and business-friendly regulatory frameworks.

Moreover, the uneven distribution of patent growth and enterprise registration suggests that different regions within Kunshan responded differently to the same policy framework. KDZ and Yushan Town were able to fully capitalize on government subsidies, tax breaks, and innovation funding, while smaller towns struggled to attract investment or sustain industrial expansion. This indicates that beyond the presence of policies, the effectiveness of their implementation varies significantly depending on regional characteristics, such as existing industrial bases, workforce skills, and market accessibility (Guo, 2013).

In conclusion, regional disparities in Kunshan's industrial transformation highlight the importance of equitable policy distribution and tailored economic strategies. The success of KDZ and Yushan Town demonstrates how targeted policy support, combined with strong infrastructure and industrial clustering, can drive economic success. However, for Kunshan to sustain long-term, inclusive growth, it must extend the benefits of policy-driven industrialization to underperforming regions, ensuring that all towns within the city can participate in and contribute to its ongoing economic transformation.

7.3 Policy Interactions and Optimization

Kunshan’s industrial transformation was not driven by isolated policies but rather by a complex interplay between national, regional, and local policies. While each policy had its own intended impact, their combined effects often amplified or, in some cases, neutralized each other, creating different outcomes for innovation-driven growth and business expansion. Understanding how these policies interacted is essential for optimizing future policy strategies to ensure sustained and balanced economic development.

One of the most effective policy combinations was the synergy between national innovation incentives and local R&D support, which directly contributed to Kunshan’s 2008-2009 patent surge. The National Medium- and Long-Term Science and Technology Development Plan (2006-2020) provided broad financial incentives for high-tech enterprises (Cao et al., 2021), but these national incentives were often too generalized to directly impact local industries. Kunshan’s Science and Technology Innovation Plan (2008-2015) filled this gap by offering localized funding, startup incubation programs, and patent filing assistance. This complementary structure enabled firms in Kunshan to fully capitalize on national policies while also benefiting from municipal-level support, creating a highly favorable environment for patent growth. The result was a sharp increase in proprietary technology development, particularly in semiconductor design, automation, and green energy technologies.

A similar policy interaction effect was observed in the 2015-2016 enterprise registration boom, where national industrial upgrading strategies worked in tandem with local business-friendly reforms. The Made in China 2025 initiative encouraged cities to shift from labor-intensive manufacturing to high-value, technology-driven production (Jin, 2022), but without supporting local policies, transitioning firms faced significant entry barriers. Kunshan’s Smart Manufacturing Initiative (2015-2020) and SME Development Promotion Policy (2015) eliminated bureaucratic inefficiencies, streamlined business registration, and introduced financial incentives, which significantly reduced the cost of starting and expanding businesses. This dual approach—national-level industrial guidance paired with local regulatory reforms—directly contributed to the surge in newly registered enterprises, particularly in the automation and AI-driven manufacturing sectors.

Despite these successful policy interactions, not all policy combinations produced equally strong results. One of the weaker interactions was between environmental regulations and business expansion policies. While the Yangtze River Delta Environmental Protection Cooperation Agreement (2009) and Taihu Basin Water Pollution Control Plan (1998) introduced stricter pollution controls, they were not sufficiently integrated with local business incentives. As a result, some industries struggled to transition to greener technologies due to a lack of targeted financial support for clean-tech adoption. In contrast, high-tech manufacturing firms, which already received strong innovation incentives, were able to adapt more easily. This uneven policy impact suggests that while environmental regulations encouraged technological innovation in green energy sectors, they did not fully support existing businesses in transitioning to sustainable practices, leading to a slower adoption rate in traditional manufacturing industries.

Another challenge was the concentration of policy benefits in a few key regions, particularly the Kunshan Development Zone (KDZ) and Yushan Town, while other towns received relatively limited direct support. While KDZ and Yushan Town fully capitalized on financial incentives and infrastructure support, towns like Zhouzhuang, Dianshanhu, and Jinxi were less

integrated into Kunshan’s high-tech ecosystem. This uneven distribution highlights the need for a more inclusive policy framework, where industrial and innovation incentives are extended beyond core economic zones to promote more balanced regional development.

7.4 Future Policy Optimization Strategies

To maximize the effectiveness of future policies, Kunshan’s government could focus on three key areas of optimization. First, strengthening the connection between environmental regulations and business transformation is essential. This could involve offering more targeted financial incentives to firms adopting green technologies, ensuring that sustainability mandates support rather than hinder industrial innovation—especially in sectors more vulnerable to regulatory pressure. Second, business incentives should be expanded beyond KDZ and Yushan Town to promote more balanced regional development. By designing tailored support programs for emerging industrial clusters in less-developed areas, the city can foster inclusive growth and diversify its economic base. Third, improving policy coordination across national, regional, and local levels is critical. Aligning financial support mechanisms across administrative tiers would help avoid policy fragmentation and ensure a cohesive approach to accelerating industrial transformation.

In sum, innovation and entrepreneurship in Kunshan were driven by distinct but complementary policies. Effective transformation required not just strong individual programs, but strategic coordination, sequencing, and regional balance. The following case studies of the Kunshan Development Zone and Yushan Town offer an in-depth look at how these policies were implemented in practice, providing valuable insights into the spatial and sectoral dynamics that shaped Kunshan’s industrial evolution. These case studies explore how targeted interventions in specific regions led to different outcomes in terms of patent activity and firm registrations, further illustrating the complexity of Kunshan’s economic transformation.

8. Case Study (Development Zone & Yushan Town)

8.1 The Kunshan Development Zone (KDZ)

Kunshan Development Zone (KDZ) stands out as the most rapidly growing economic region within Kunshan, consistently leading in enterprise registrations and patent filings. This success is driven by a combination of strong policy incentives, industrial clustering, advanced infrastructure, and business-friendly regulatory reforms. Analyzing KDZ’s growth provides valuable insights into how well-designed policy frameworks can accelerate industrial transformation and technological innovation.

8.1.1 Policy Foundations

KDZ’s rapid expansion was fueled by a strategic alignment between national, regional, and local policies, each reinforcing Kunshan’s transformation into a high-tech, innovation-driven economy.

In 1992, KDZ was granted National Economic and Technological Development Zone status, providing preferential tax policies, foreign investment incentives, and infrastructure funding. This early support attracted multinational firms, particularly in electronics, precision manufacturing, and automotive components, establishing KDZ as a major industrial hub (Guo, 2013).

From 2006-2015, national policies like the National Medium- and Long-Term Science and Technology Development Plan (2006-2020) encouraged high-tech enterprise development and patent activity, which Kunshan complemented with the Science and Technology Innovation Plan (2008-2015). These policies provided direct R&D funding, patent filing assistance, and tax breaks, contributing to KDZ’s surge in patent applications between 2008 and 2009, particularly in automation, semiconductors, and green energy technologies (Cao et al., 2021).

Between 2015 and 2020, the national Made in China 2025 strategy promoted industrial upgrading, which Kunshan executed through the Smart Manufacturing Initiative (2015-2020). This policy offered financial grants, industrial automation incentives, and AI-driven manufacturing subsidies, transforming KDZ into a leading center for smart manufacturing (Jin, 2022).

Concurrently, the Kunshan SME Development Promotion Policy (2015) streamlined business registration procedures, reducing bureaucracy and leading to a sharp rise in enterprise registrations between 2015 and 2016 (Guo, 2013).

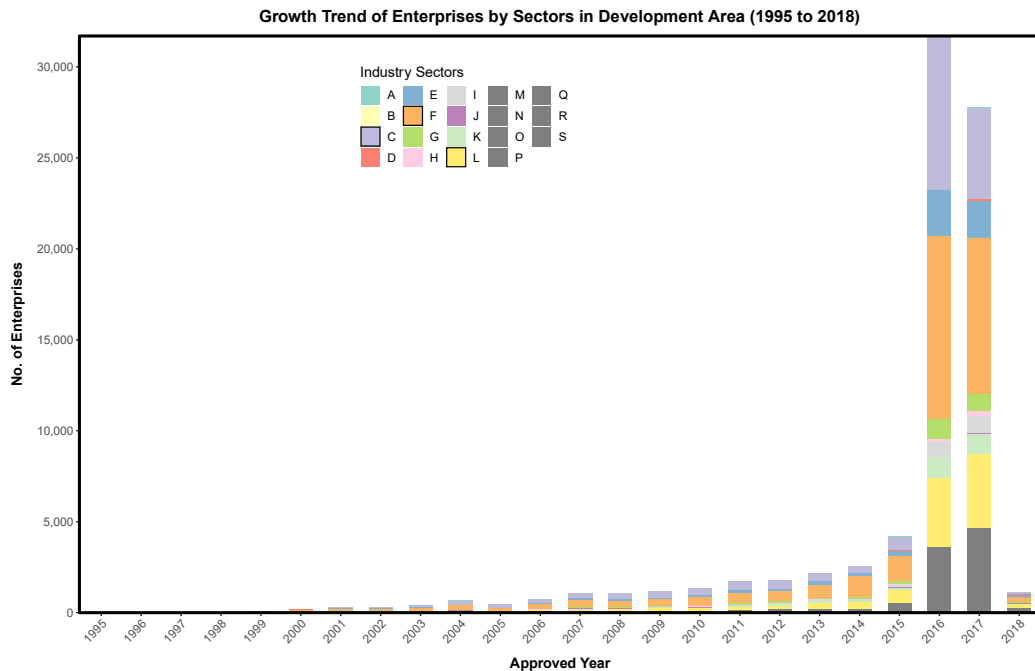


Figure 3. Growth Trend of Enterprises by Sectors in Development Area (1995 to 2018)

8.1.2 Industrial Clustering

One of KDZ’s greatest strengths lies in its ability to cultivate robust industrial clusters, where enterprises benefit from shared infrastructure, supply chain synergies, and knowledge spillovers. The zone has strategically developed three core clusters that underpin its industrial dynamism. The first is semiconductors and electronics manufacturing, where a combination of tax incentives, research funding, and access to a skilled labor force has attracted major firms and fostered a vibrant ecosystem of chip design and precision production. The second cluster centers on green energy and environmental technologies; bolstered by regional regulations and targeted incentives, KDZ has become a hub for solar energy development, innovative waste management, and energy efficiency solutions. Lastly, KDZ has emerged as a national leader in AI-driven smart manufacturing. Supported by the Made in China 2025 initiative, this cluster integrates industrial automation, IoT applications, and artificial intelligence to create one of the

country’s most advanced intelligent manufacturing environments (Jin, 2022).

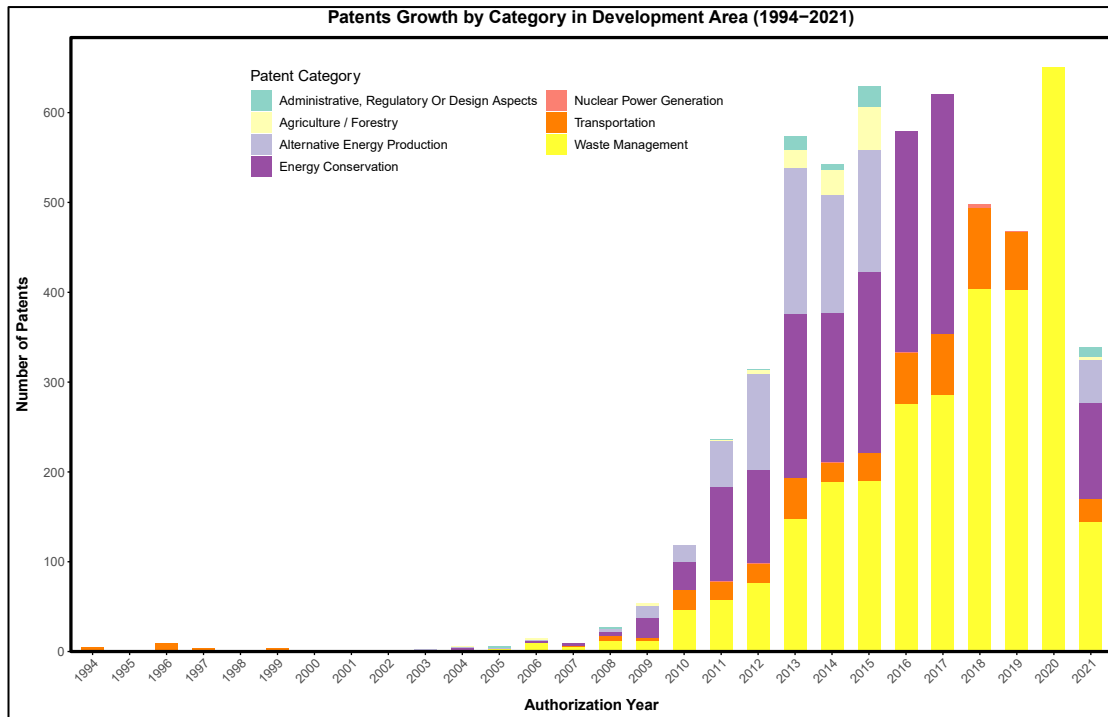


Figure 4. Patents Growth by Category in Development Area (1994-2021)

8.1.3 Infrastructure & Business Efficiency

KDZ’s superior infrastructure and strategic connectivity have further cemented its position as Kunshan’s economic powerhouse. Its proximity to Shanghai enabled seamless integration into the Yangtze River Delta’s advanced industrial network, providing access to technology transfer, financial services, and regional supply chain coordination. Complementing this locational advantage, government investments in high-speed rail, expressways, and modern logistics hubs significantly enhanced KDZ’s appeal to manufacturers and exporters by lowering transportation costs and improving operational efficiency. Additionally, the implementation of digitalized business registration systems and policy support platforms helped streamline administrative procedures, making KDZ one of the most efficient and business-friendly zones for company formation and expansion in the region (Guo, 2013).

8.1.4 Lessons from KDZ

The success of the Kunshan Development Zone (KDZ) offers important lessons for other regions aiming to accelerate industrial transformation. One key factor is strategic policy synergy—the effective coordination between national innovation incentives and local R&D grant programs created an enabling environment for industrial growth and technological advancement. The formation of industry clusters in semiconductors, green energy, and AI-driven manufacturing further reinforced this momentum, generating a self-sustaining cycle of innovation and expansion. Additionally, KDZ’s emphasis on infrastructure development, including smart logistics systems, advanced transportation networks, and digitalized government services, greatly enhanced operational efficiency and investor confidence. Regulatory streamlining also played a vital role: simplified business registration procedures and financial incentives helped establish KDZ as a top destination for high-tech firms and

foreign investment (Guo, 2013).

Despite these achievements, KDZ's rapid advancement has also contributed to regional economic imbalances within Kunshan, with smaller towns lagging behind in industrial development. To address this, lessons learned from KDZ should be strategically applied to underperforming areas, promoting more inclusive and balanced economic growth across the city.

8.2 Yushan Town

While Kunshan Development Zone (KDZ) has been the primary driver of industrial growth in Kunshan, Yushan Town has emerged as another major economic center, playing a critical role in the city's business expansion, technological development, and regional connectivity. Unlike KDZ, which was primarily designed as an industrial and economic zone from the beginning, Yushan Town has developed through a more organic process, leveraging strategic geographical positioning, policy incentives, and industrial diversification.

8.2.1 Policy Foundations

The economic rise of Yushan Town has been largely shaped by a combination of national, regional, and local policies, which supported both technological innovation and business formation.

In the early 2000s, Yushan benefited from the National Industrial Upgrading and Innovation Incentives under China's broader push for high-tech and sustainable industries. The National Medium- and Long-Term Science and Technology Development Plan (2006-2020) provided tax incentives for high-tech enterprises, which Kunshan's local government reinforced through the Kunshan Science and Technology Innovation Plan (2008-2015). This policy synergy stimulated Yushan's rapid growth in patent applications, particularly in energy conservation, alternative energy, and waste management technologies.

From 2015 onward, the Made in China 2025 strategy accelerated Yushan's transformation into a hub for smart industries and AI-driven manufacturing, supported locally by Kunshan's Smart Manufacturing Initiative (2015-2020). This policy provided financial support for automation, smart production lines, and digital transformation, fostering a business-friendly environment that significantly increased enterprise registrations in Yushan.

Additionally, the Kunshan SME Development Promotion Policy (2015) further simplified business registration and offered financial incentives, enabling a surge in new business formations between 2015 and 2018.

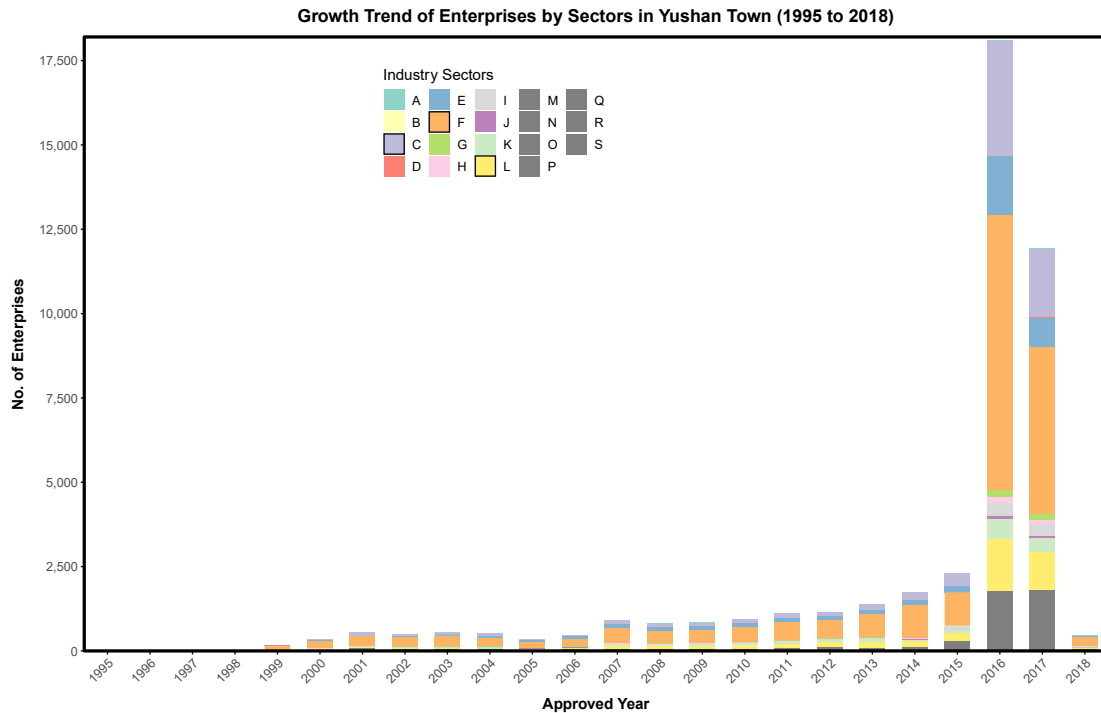


Figure 5. Growth Trend of Enterprises by Sectors in Yushan Town (1995 to 2018)

8.2.2 Industrial Expansion

Unlike the Kunshan Development Zone (KDZ), which maintains a strong focus on high-tech manufacturing and industrial automation, Yushan Town has cultivated a more diversified business ecosystem by attracting firms across a wider range of industries. While high-tech manufacturing and automation remain important—driven by national and local industrial upgrading policies—Yushan has seen substantial growth in AI-driven production, robotics, and digital manufacturing systems. In addition, the town has emerged as a leader in energy and environmental solutions, including alternative energy production, energy efficiency technologies, and advanced waste management, aligning with Kunshan’s broader commitment to green industrialization. Moreover, Yushan’s strategic location near major trade and transportation routes has enabled it to become a key hub for logistics and commercial enterprises, hosting numerous firms involved in wholesale trade, supply chain services, and regional distribution.

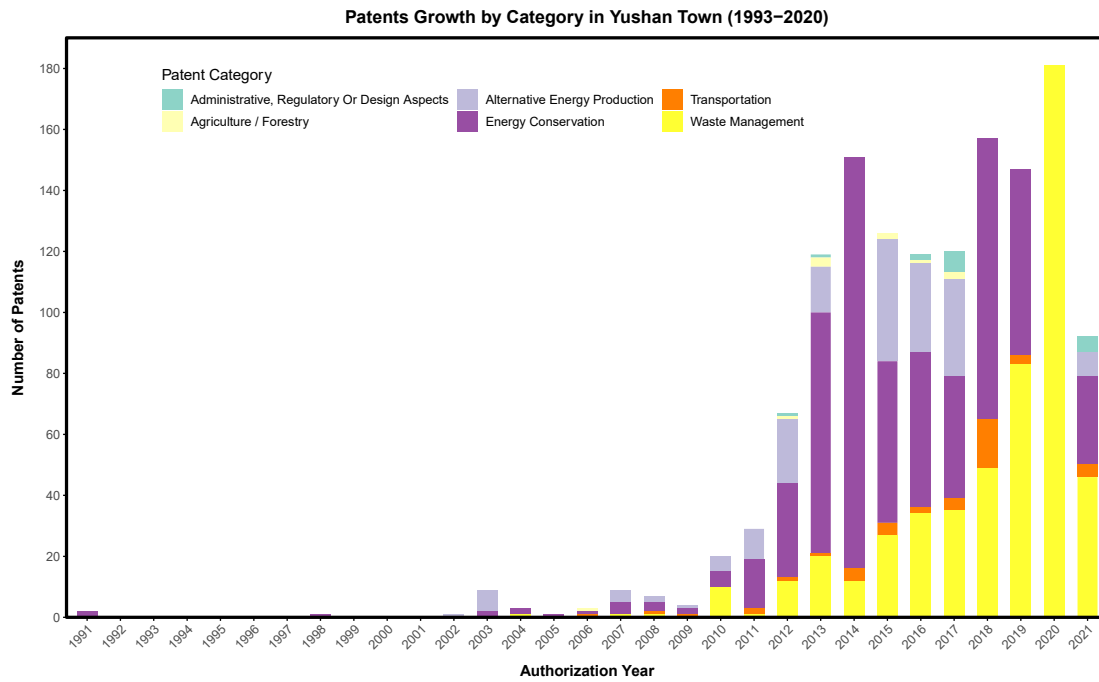


Figure 6. Patents Growth by Category in Yushan Town (1993-2020)

8.2.3 Strategic Location and Connectivity

Yushan Town’s success is further reinforced by its strategic location and well-developed transportation infrastructure. Situated near Shanghai, the town has capitalized on Yangtze River Delta regional integration policies, positioning itself as an ideal site for business expansion, supply chain optimization, and industrial collaboration. Its access to high-speed rail networks, express highways, and smart logistics centers enables enterprises to manage production and distribution processes with high efficiency. These infrastructure advantages have significantly reduced operational costs for businesses, enhancing Yushan’s appeal to both startups and established companies seeking a competitive edge.

8.2.4 Lessons from Yushan Town

Yushan Town’s development trajectory offers several key lessons for regional economic planning. Unlike the Kunshan Development Zone (KDZ), which is heavily concentrated in high-tech industries, Yushan has pursued balanced growth across multiple sectors. This diversified industrial structure has enhanced its resilience to sector-specific economic fluctuations. The town’s success also reflects strong policy coordination across different levels of government. The alignment between national industrial strategies and local business-friendly reforms fostered a highly supportive environment for innovation and entrepreneurship. In addition, Yushan effectively leveraged its geographic and infrastructural advantages—its proximity to major markets such as Shanghai, coupled with robust logistics networks and regional connectivity, played a pivotal role in attracting enterprises and investors. Finally, the local government’s efforts to streamline business registration processes, provide financial incentives, and invest in digital infrastructure have ensured that Yushan Town remains one of the most attractive destinations for new business formation.

Although Yushan Town has been a remarkable success story, challenges remain. Its rapid industrial expansion has created environmental sustainability concerns, and as the town

continues to attract new businesses, it will need further investments in green infrastructure and environmental management to ensure long-term sustainable growth.

9. Conclusion

Kunshan’s industrial transformation over the past three decades exemplifies how a policy-driven approach, strategic economic planning, and technological innovation can successfully transition a city from a traditional manufacturing base to a high-tech industrial hub. By analyzing the trends in enterprise establishment, patent growth, and the role of national, regional, and local policies, this report has outlined the key factors contributing to Kunshan’s success and identified areas for future improvement.

The data clearly shows that Kunshan’s growth was not uniform across all industries and regions. Policies designed to foster high-tech industries, environmental sustainability, and business-friendly reforms were particularly effective in accelerating patent activity and attracting new enterprises. However, the impacts of these policies varied across different districts, with certain areas—such as Kunshan Development Zone (KDZ) and Yushan Town)—benefiting significantly more than others. This highlights the importance of localized policy execution and suggests that a one-size-fits-all approach may not be sufficient for balanced regional development.

The comparison of patent growth and enterprise registration trends reveals two distinct policy effects. Innovation-driven policies, particularly in the late 2000s, led to a surge in patent filings, especially in fields such as semiconductors, automation, and alternative energy technologies. On the other hand, business expansion policies implemented after 2015 significantly increased enterprise registrations, reflecting the effectiveness of regulatory streamlining and financial incentives in lowering barriers to market entry. These findings emphasize that industrial transformation is most successful when innovation support and business expansion strategies are implemented in tandem rather than in isolation.

The case studies of KDZ and Yushan Town further demonstrate how policy coordination, infrastructure development, and industrial clustering create highly competitive economic zones. KDZ’s success was largely driven by targeted incentives for high-tech enterprises, strong industrial clustering, and logistical efficiency, making it a leading hub for AI-driven manufacturing and precision engineering. Meanwhile, Yushan Town’s diversified economic structure, strategic location, and government-backed SME incentives allowed it to develop into a major center for commercial and industrial growth. These examples provide valuable insights into how cities can optimize policy frameworks to encourage both high-tech innovation and business-friendly ecosystems.

Despite these achievements, Kunshan still faces challenges that require careful policy adjustments. The disparity in regional development, where some districts experienced rapid growth while others lagged behind, suggests that future policies should focus on spreading industrial opportunities more evenly across the city. Additionally, the increasing demand for sustainable and green technologies requires further alignment between environmental policies and business incentives, ensuring that Kunshan’s industries continue to grow in an ecologically responsible manner.

Looking ahead, Kunshan’s development experience presents a replicable model for other cities aiming to transition toward a high-tech, innovation-driven economy. Its trajectory demonstrates

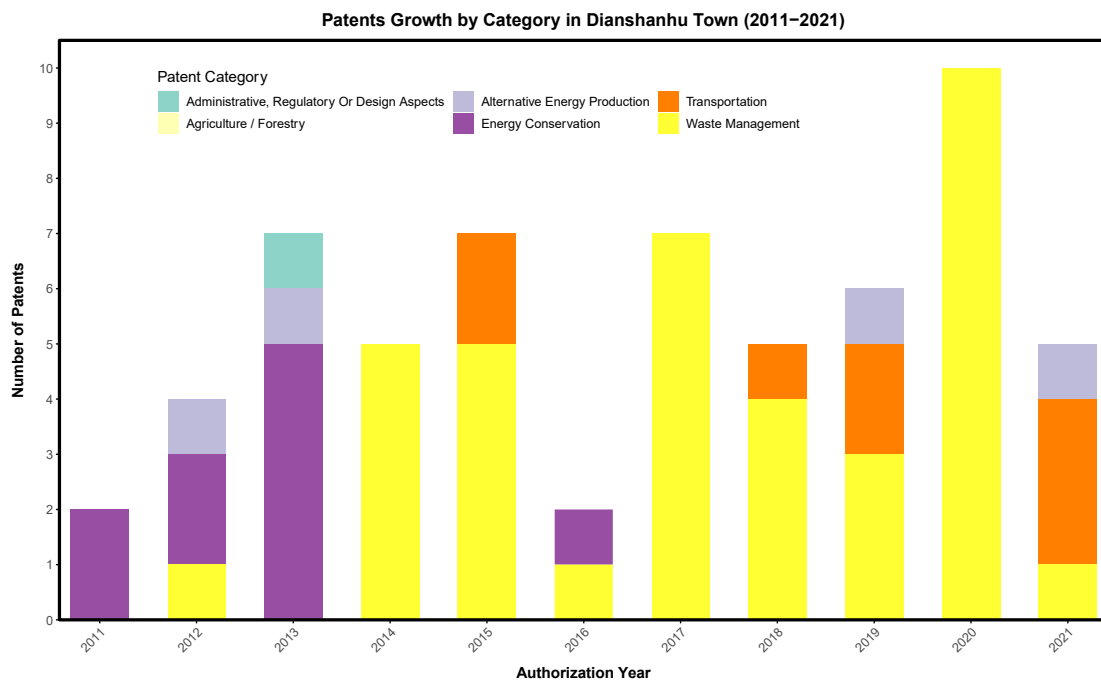
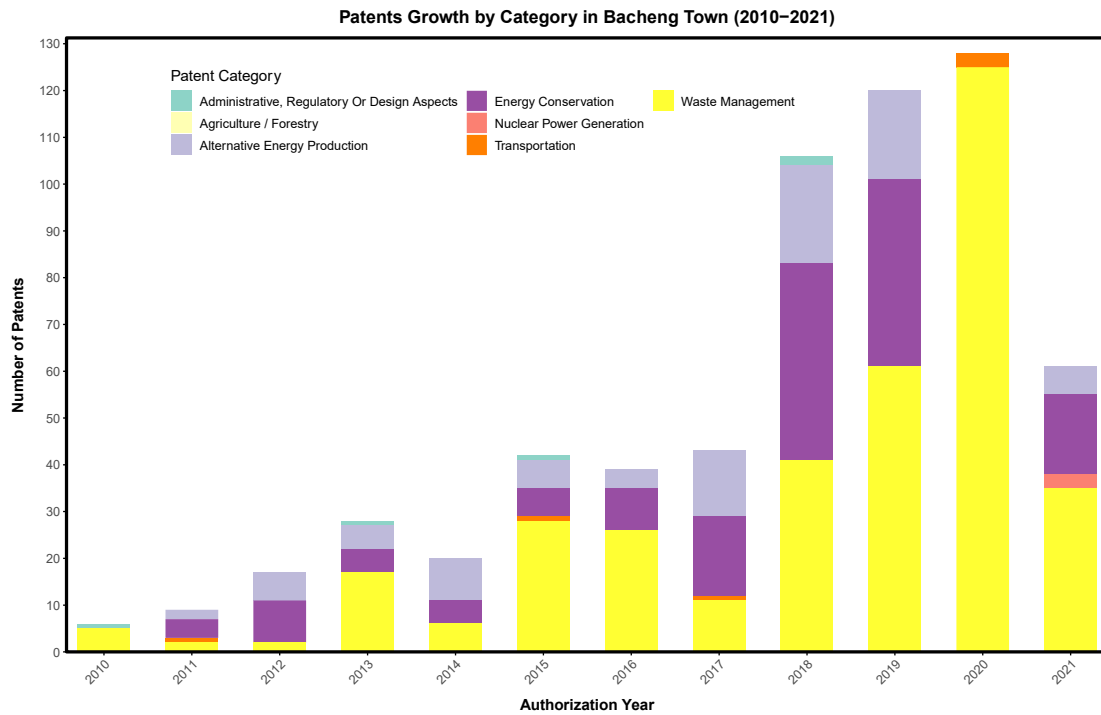
how coordinated policy efforts, infrastructure investment, and strategic industry support can collectively foster sustained industrial transformation and economic upgrading.

Several key takeaways emerge from this transformation. First, a multi-level policy framework is crucial: national, regional, and local initiatives must be aligned and mutually reinforcing to cultivate a stable, innovation-friendly business environment. Second, it is essential to balance technological innovation with business expansion, ensuring that while research and development are prioritized, the broader conditions for business creation and growth are also maintained. Third, infrastructure and industrial clustering play a decisive role in sustaining long-term growth—robust transportation, logistics, and digital infrastructure, along with carefully planned industrial zones, provide the physical and organizational foundation for economic dynamism. Finally, to ensure inclusive development, policymakers must proactively address regional disparities. While high-growth areas like KDZ and Yushan Town have emerged as economic engines, future policy efforts should aim to extend development benefits to underperforming districts through targeted investments and tailored incentives.

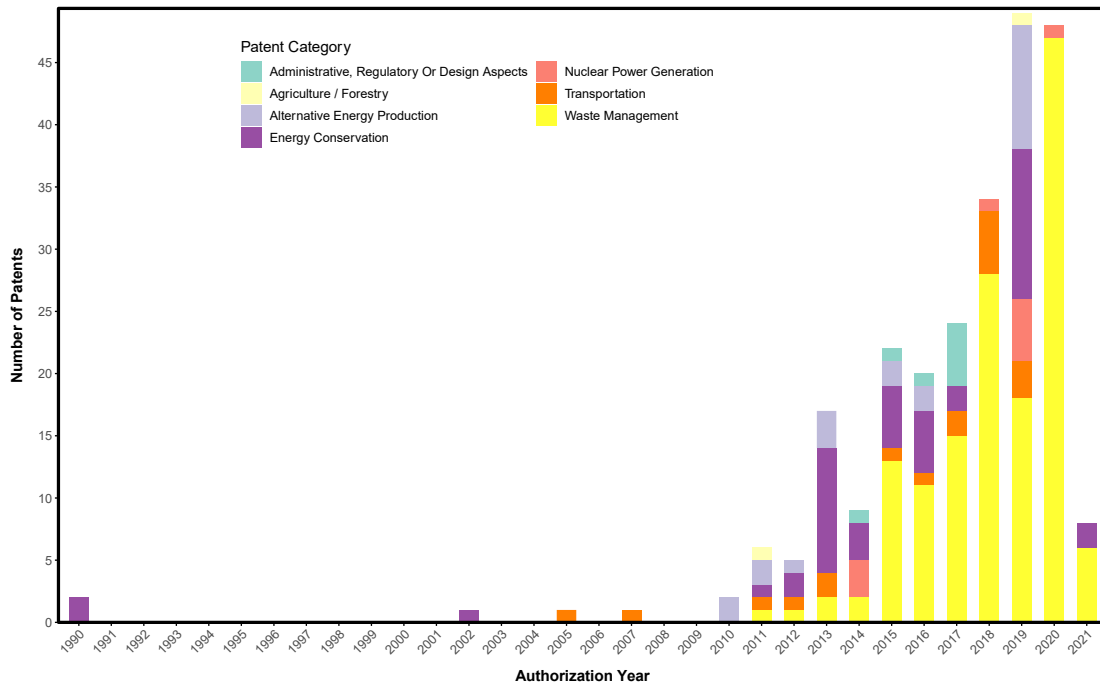
Kunshan's transformation into a national leader in smart manufacturing and green technology innovation reflects the power of long-term strategic planning, policy-driven economic incentives, and a proactive approach to industrial modernization. As the city moves forward, the key challenge will be maintaining momentum while ensuring a balanced, sustainable, and inclusive economic future.

Appendix

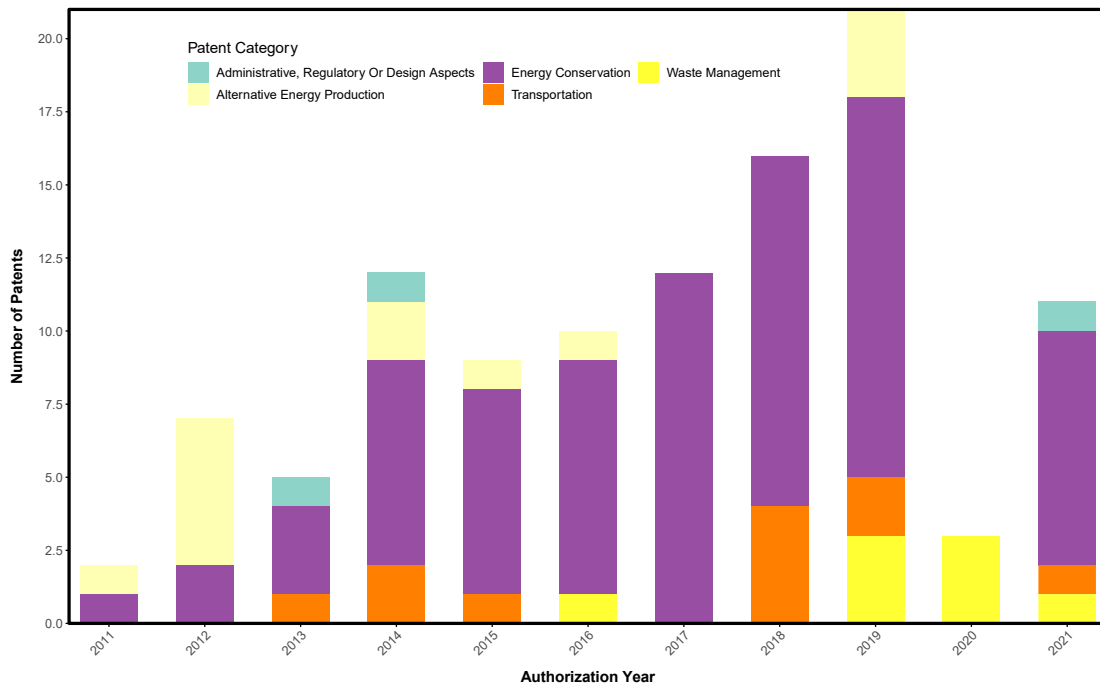
1. Patent Trends Through Kunshan's Other Towns



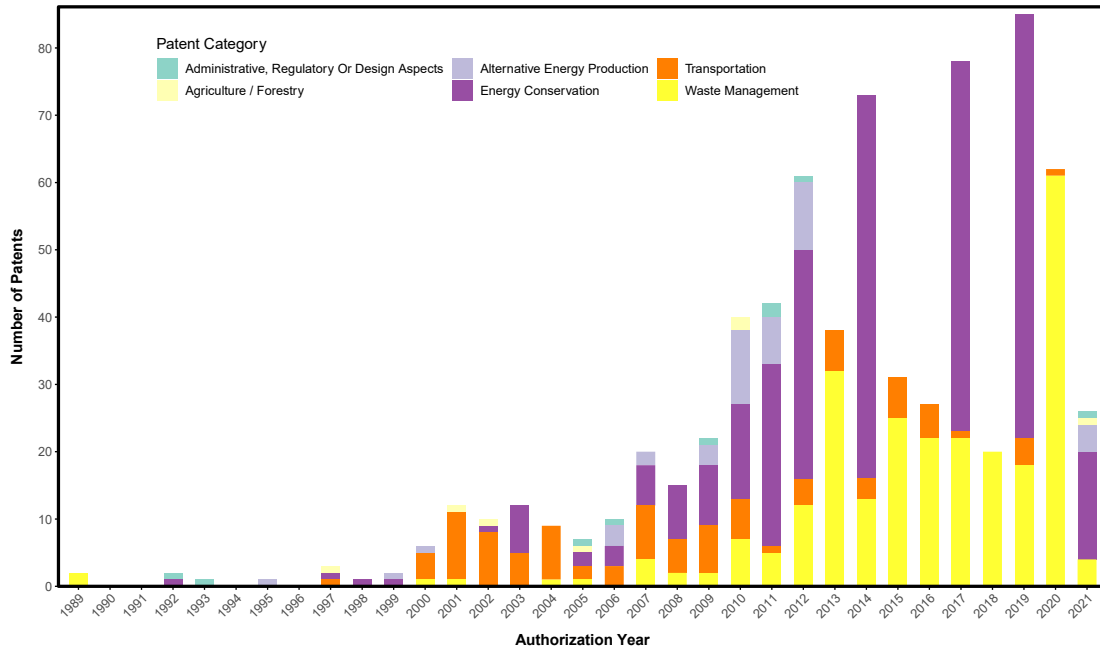
Patents Growth by Category in Huaqiao Town (1990–2021)



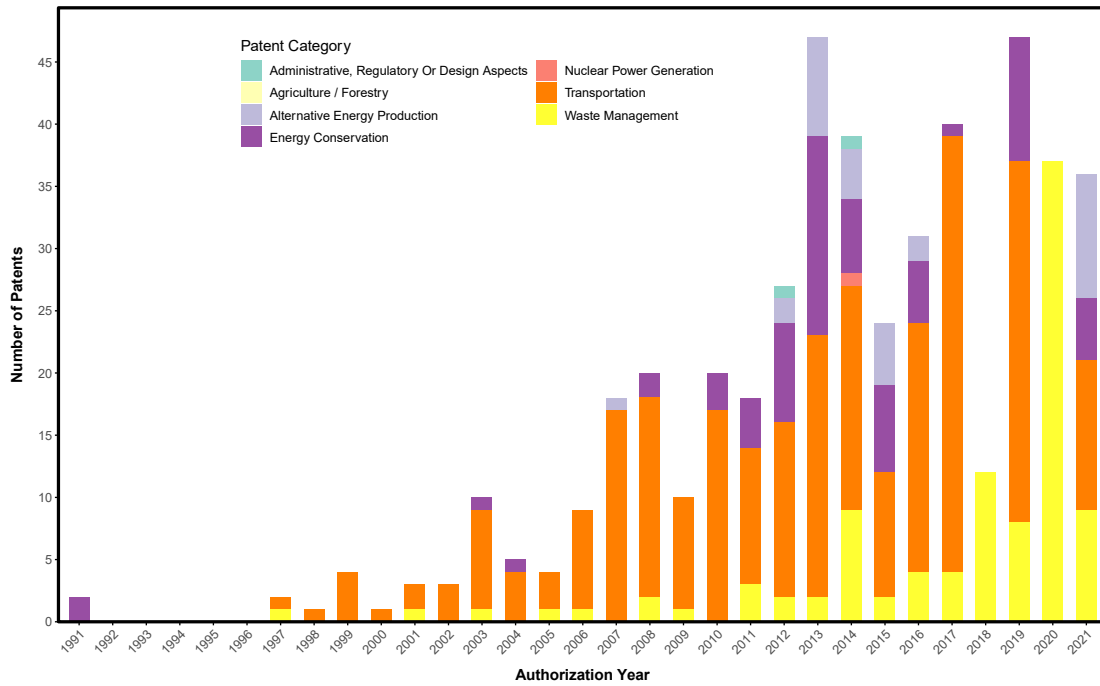
Patents Growth by Category in Jinxi Town (2011–2021)



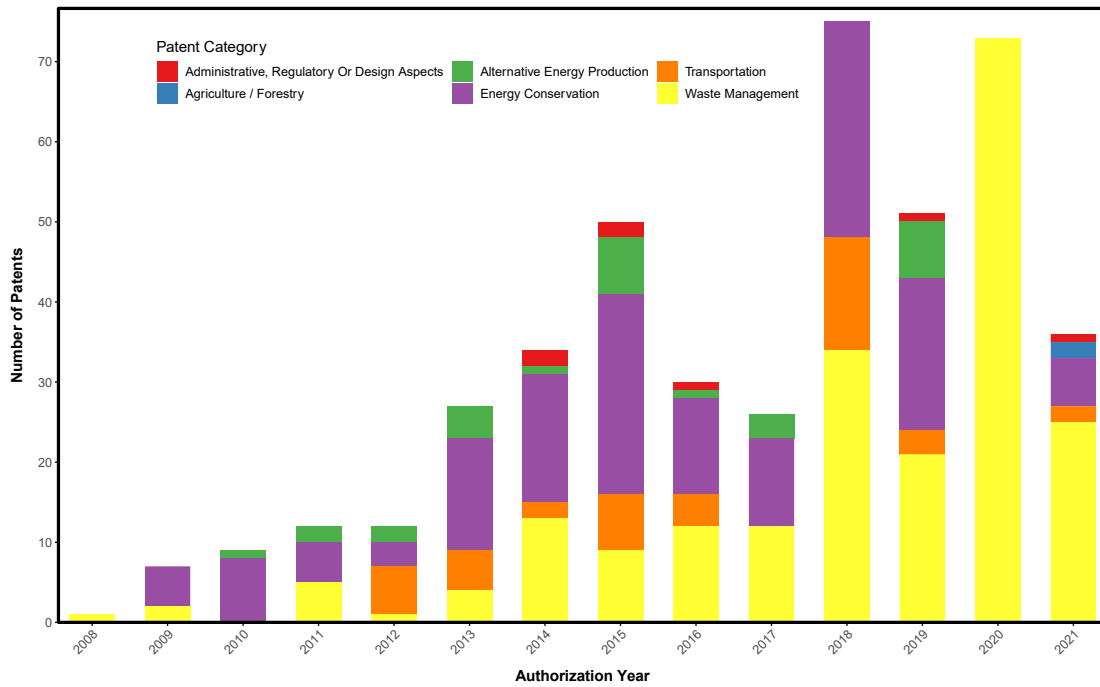
Patents Growth by Category in Kunshan (1989-2021)



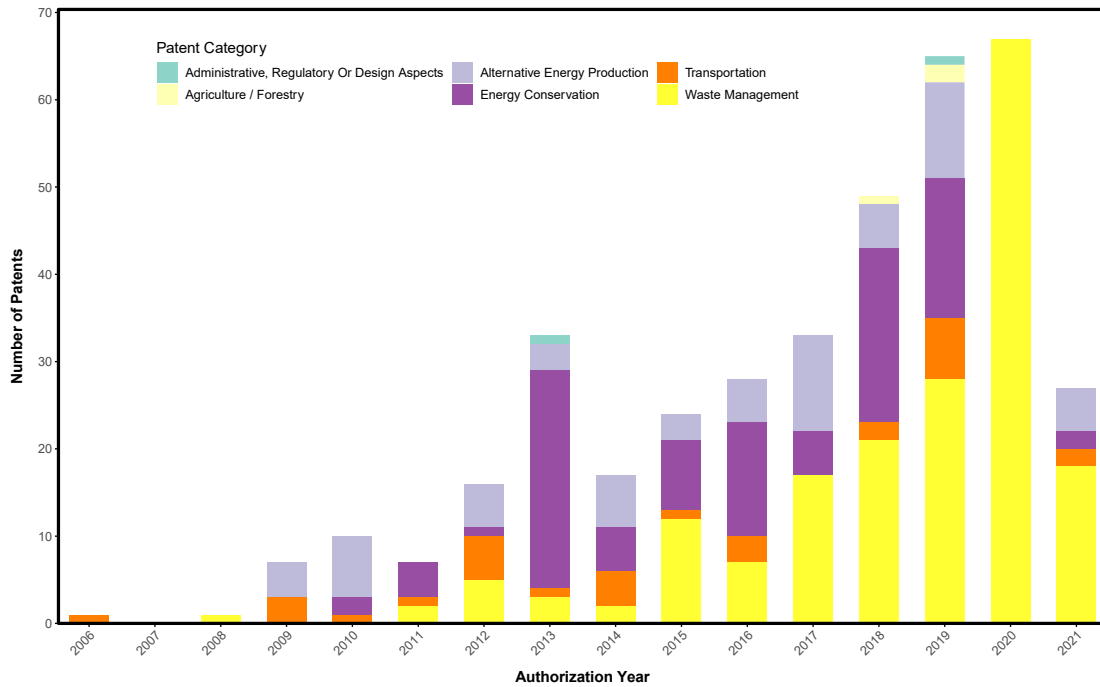
Patents Growth by Category in Lujia Town (1991-2021)



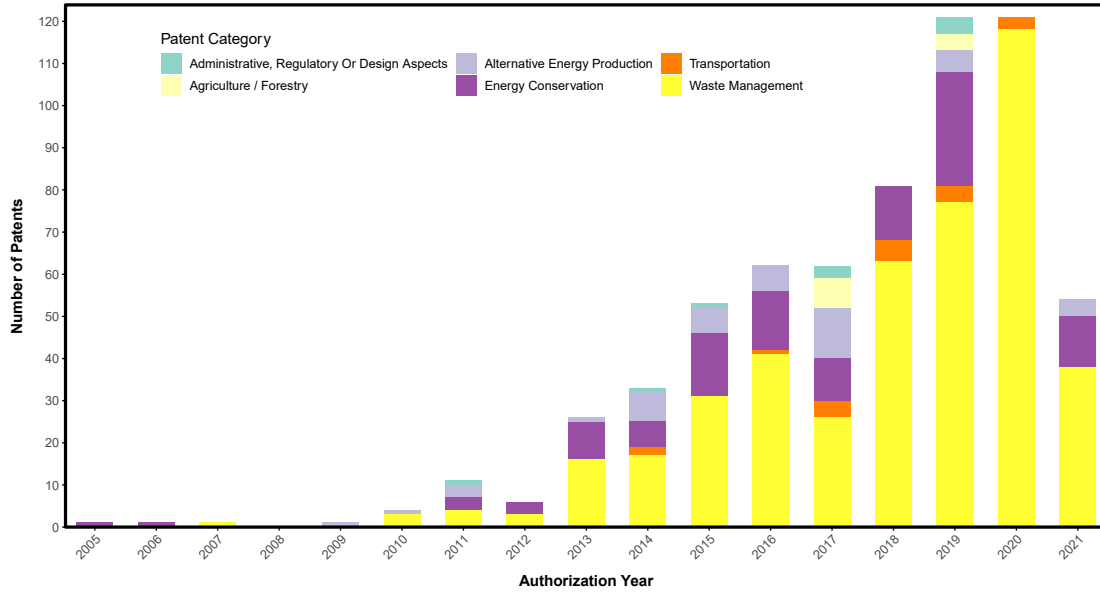
Patents Growth by Category in Qiandeng Town (2008–2021)



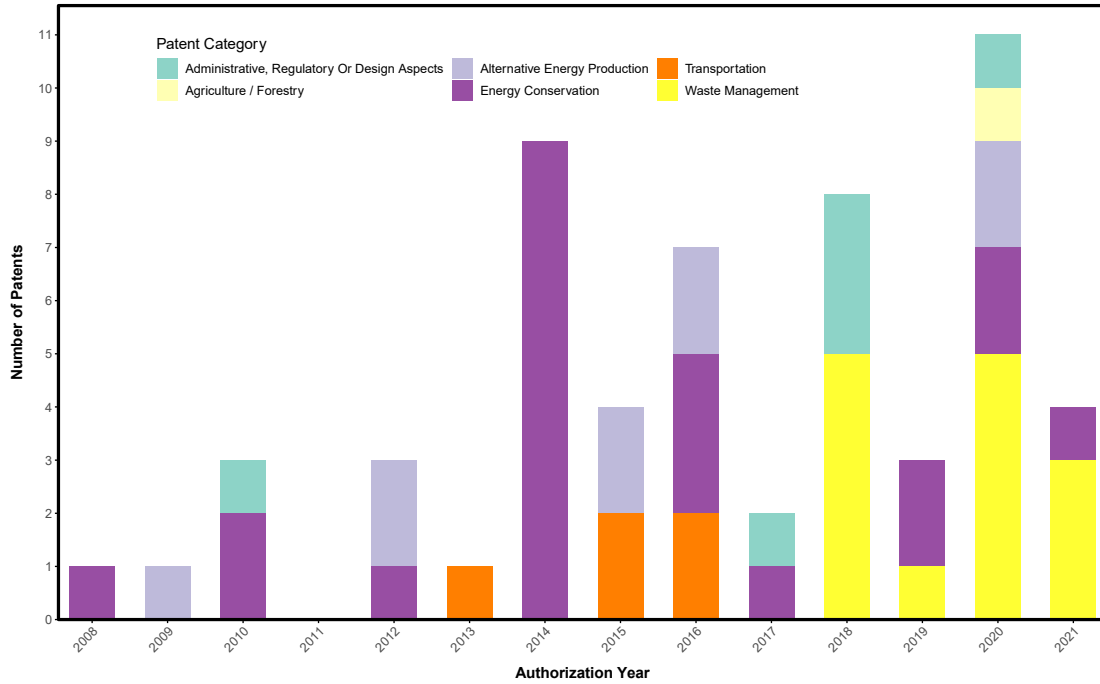
Patents Growth by Category in Zhangpu Town (2006–2021)



Patents Growth by Category in Zhoushi Town (2005–2021)

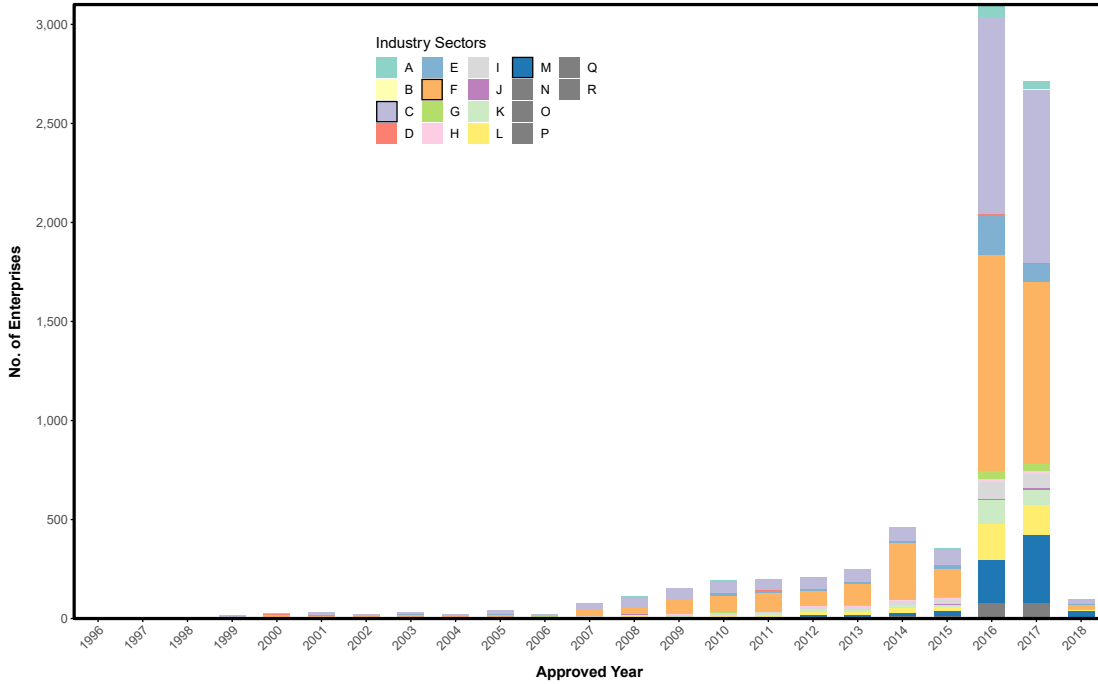


Patents Growth by Category in Zhouzhuang Town (2008–2021)

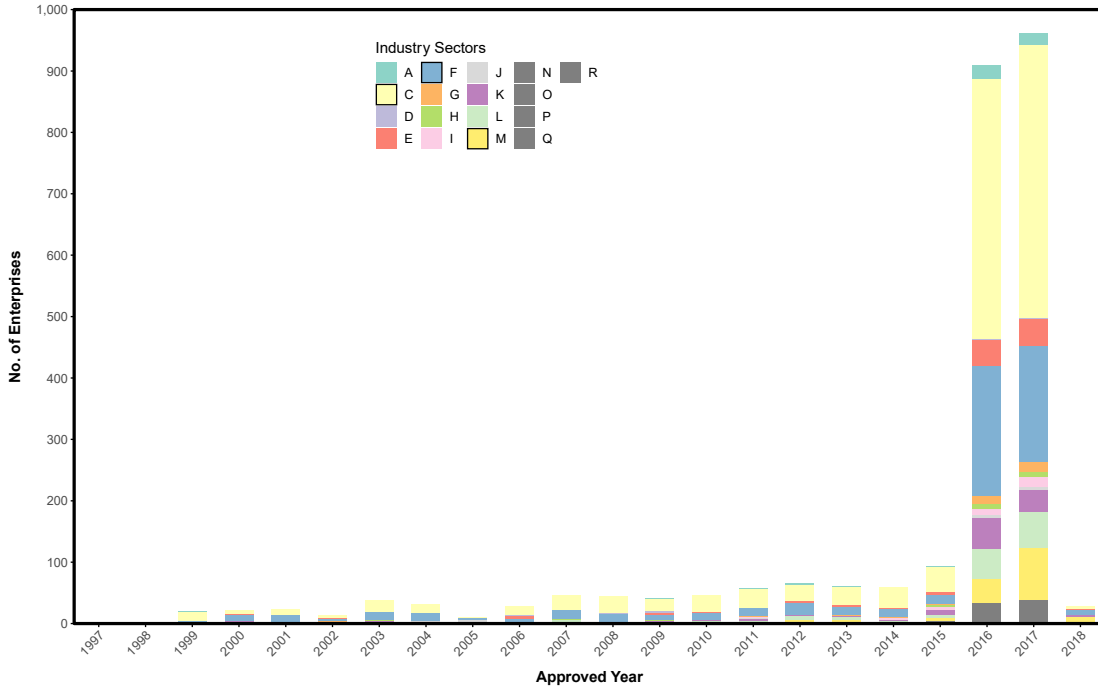


2. Enterprise Establishment Trends Through Kunshan's Other Towns

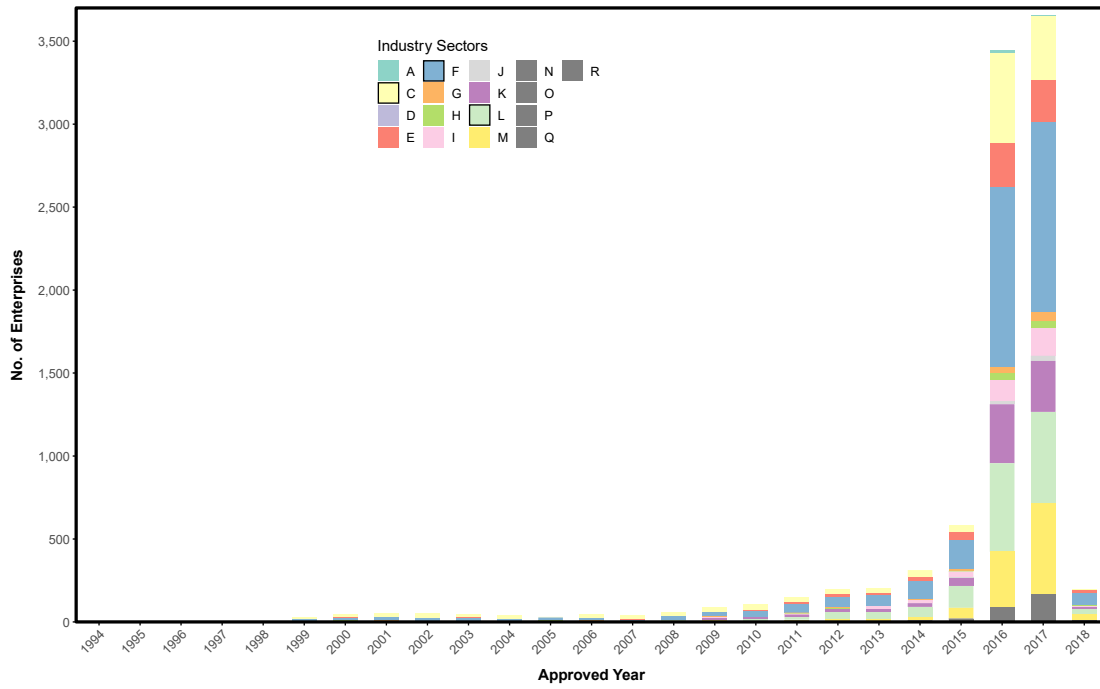
Growth Trend of Enterprises by Sectors in Bacheng Town (1996 to 2018)



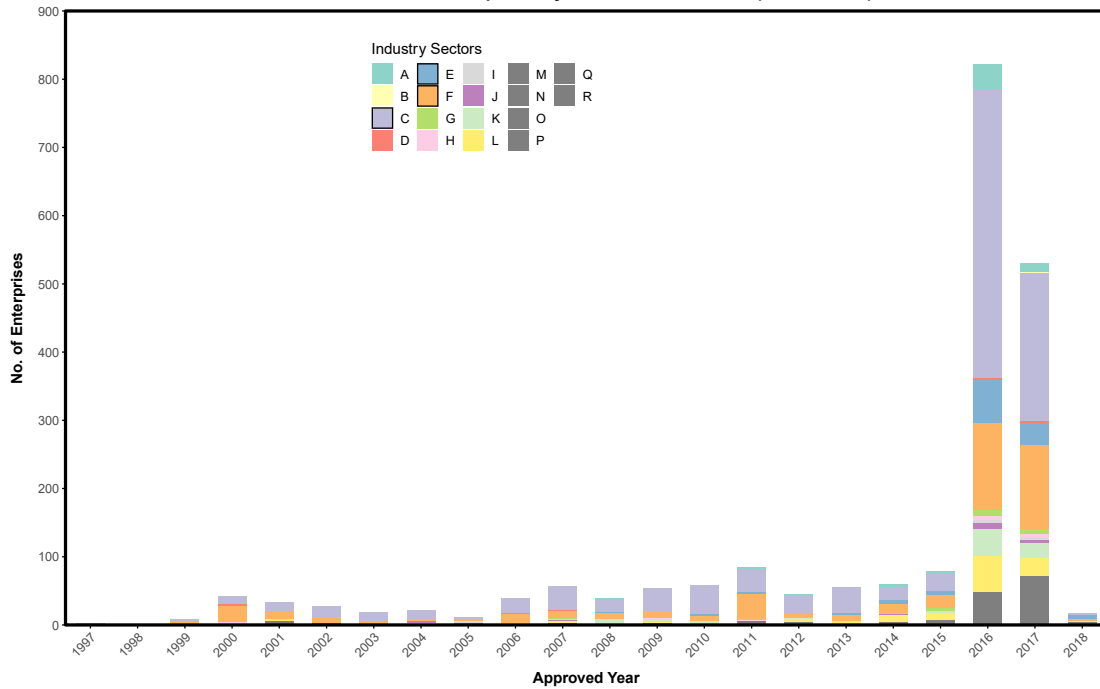
Growth Trend of Enterprises by Sectors in Dianshanhu Town (1997 to 2018)



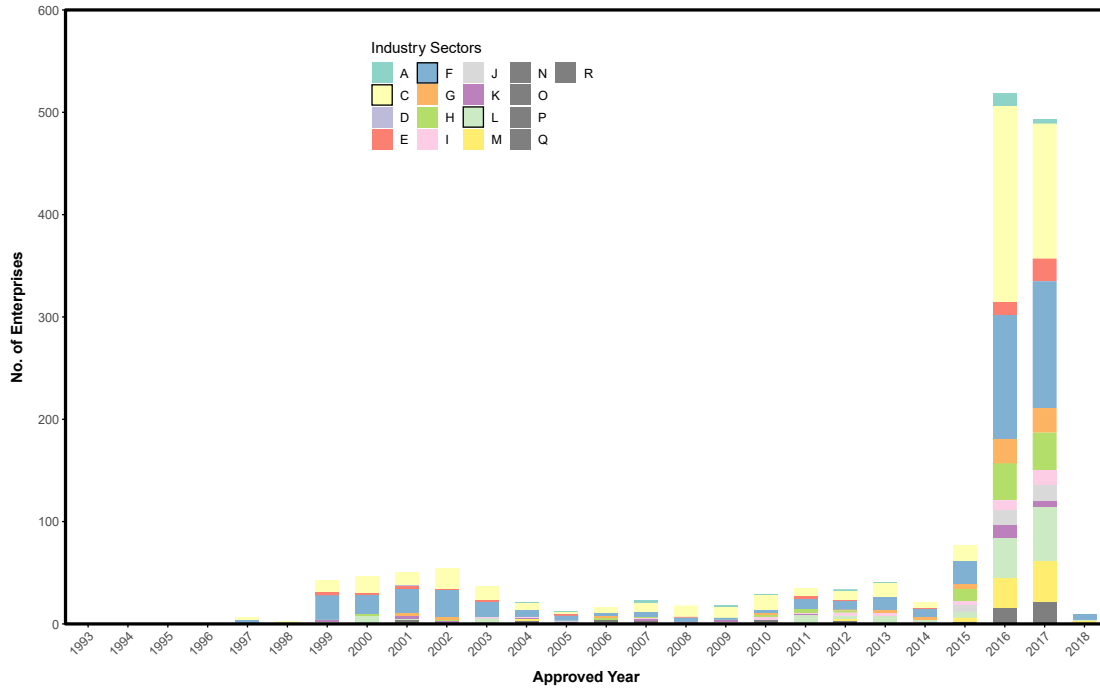
Growth Trend of Enterprises by Sectors in Huaqiao Town (1994 to 2018)



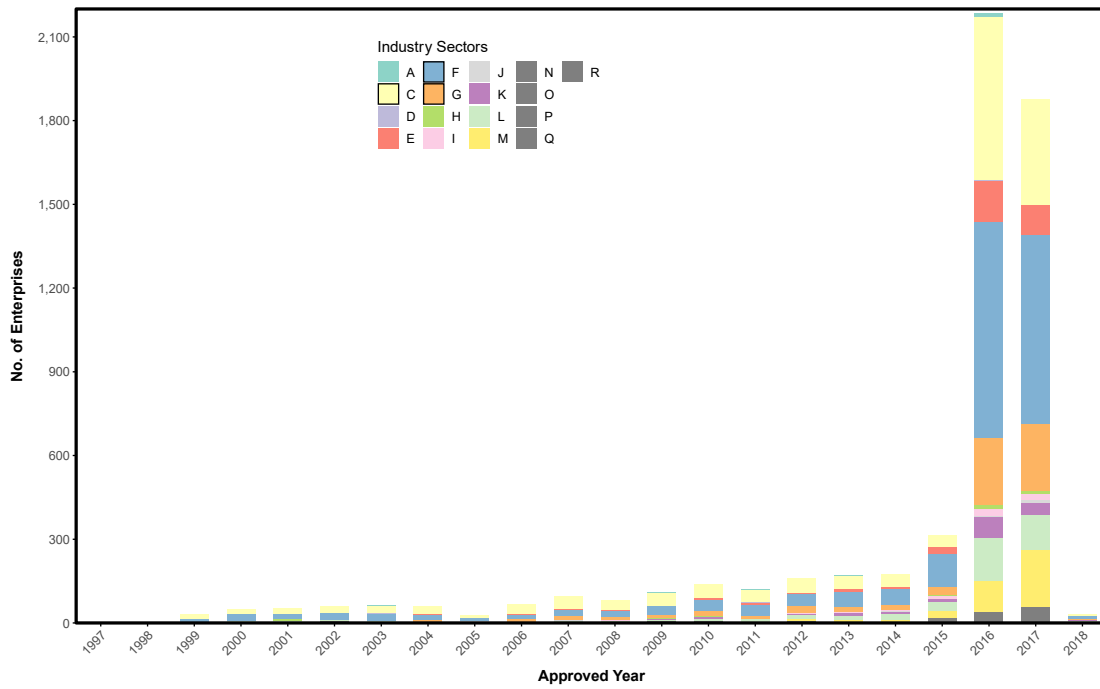
Growth Trend of Enterprises by Sectors in Jinxi Town (1997 to 2018)



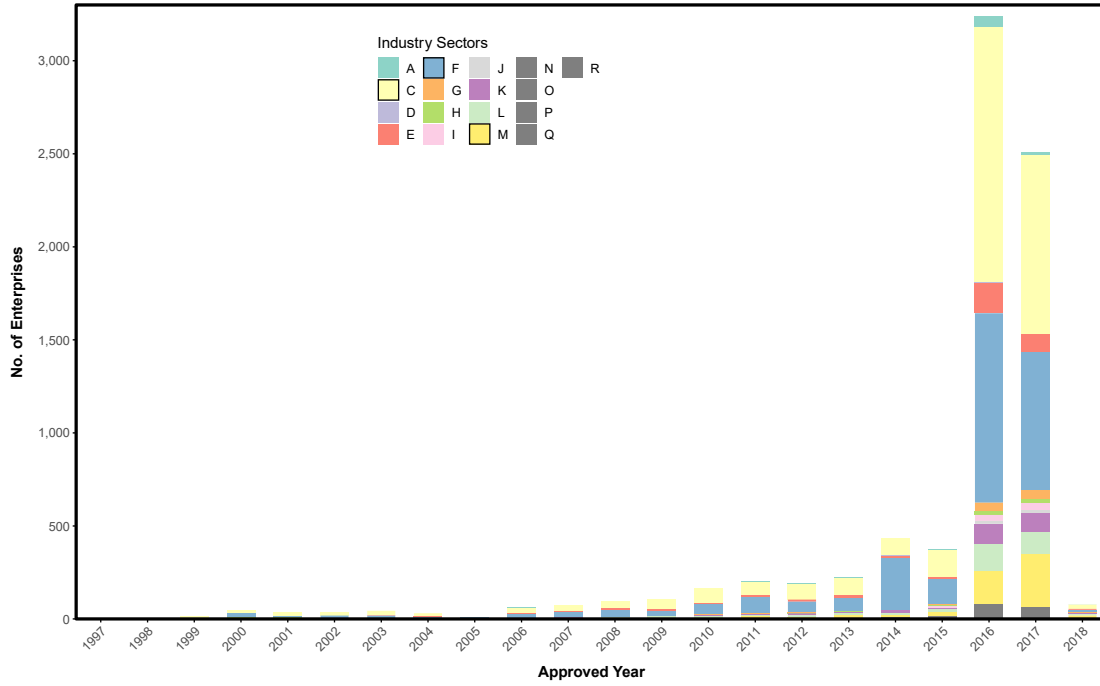
Growth Trend of Enterprises by Sectors in Kunshan (1993 to 2018)



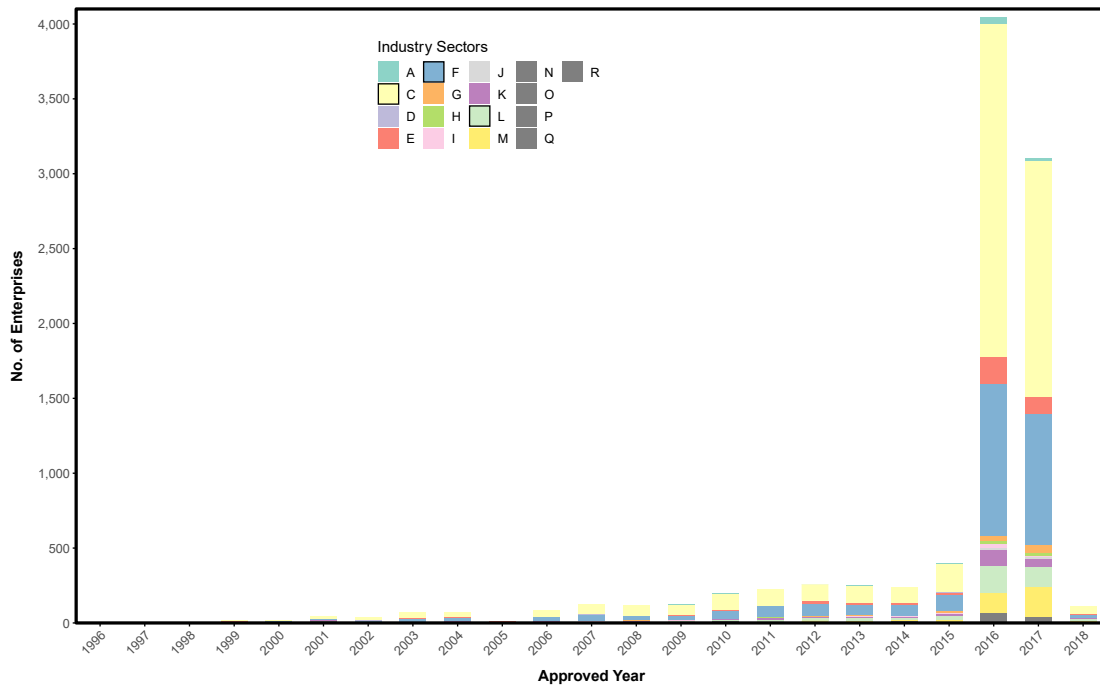
Growth Trend of Enterprises by Sectors in Lujia Town (1997 to 2018)



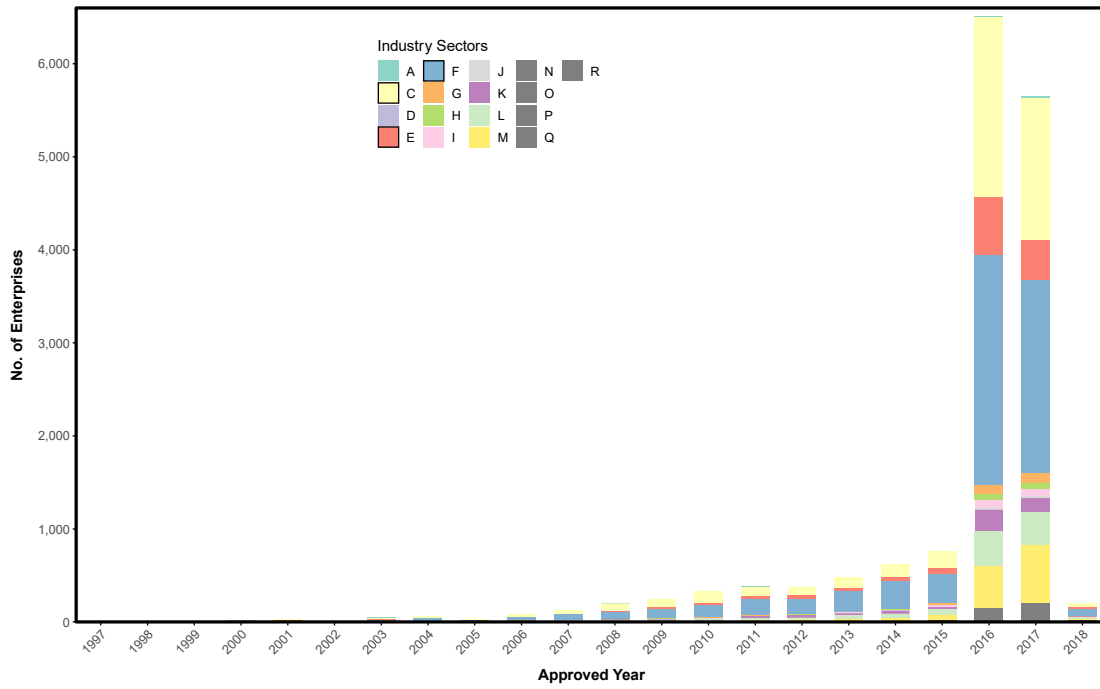
Growth Trend of Enterprises by Sectors in Qiandeng Town (1997-2018)



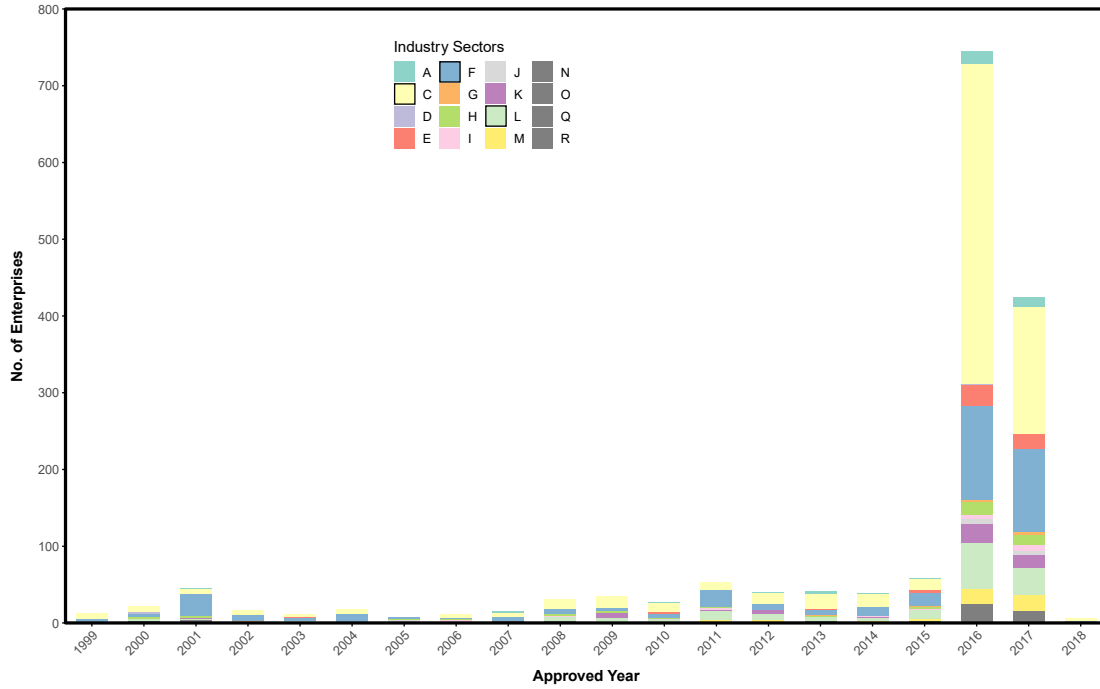
Growth Trend of Enterprises by Sectors in Zhangpu Town (1996 to 2018)



Growth Trend of Enterprises by Sectors in Zhoushi Town (1997 to 2018)



Growth Trend of Enterprises by Sectors in Zhouzhuang Town (1999 to 2018)



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