factor sharing.First, we use the patent data to measure innovation, which can avoid the measurement errors caused by the unclear definition of new products in the Chinese Industrial Enterprise Database.The existing research on the effect of China's SEZs mainly examines the impact of the SEZs on economic growth (Wang, 2013; Alder et al., 2016; Liu and Zhao, 2015), export (Wu and Huang, 2012; Huang et al., 2013), industrial restructuring and manufacturing upgrading (Li and Shen, 2015; Zhou et al., 2018), enterprise behavior (Lu et al., 2019; Wang and Zhang, 2016; Zheng et al., 2017), and spillover effect (Zheng et al., 2017).Economic agglomer- ation intensifies enterprise competition, thus prompting enterprises to accelerate the upgrade of products and promote innovation (Richardson, 1996).Agglomeration can also promote the dissemination of tacit knowledge.3 Sharing tacit knowledge and the latest innovation among geographically adjacent enterprises can reduce the uncertainty of enterprise R&D (Feldman, 1994).Wu and Li (2017) measured the innovation ability of enterprises by whether enterprises produced new products and the proportion of the output of new products in the total output.Agglomeration improves the matching quality of the labor market, thereby reducing the costs and increasing the profits of enterprises, so that enterprises are more capable of carrying out R&D investment.Agglomeration enables enterprises to share production factors, such as specialized labor and services.The third is the knowledge spillover effect.