

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6515

MEMORANDUM

TO: Members of the Committee on Small Business

FROM: Committee Majority Staff

DATE: March 20, 2026

RE: Full Committee Hearing Titled: “Defending Main Street: Combating CCP Threats to American Small Businesses”

On **Wednesday, March 25, 2026, at 10:00 AM ET**, the Committee on Small Business will hold a hearing titled “**Defending Main Street: Combating CCP Threats to American Small Businesses.**” The meeting will convene in room 2360 of the Rayburn House Office Building. The purpose of this hearing is to examine how the Chinese Communist Party (CCP) threatens American small businesses through intellectual property theft, foreign investment, and supply chain vulnerabilities.

I. Witnesses

- **Mr. Andrew Pahutski**, Vice President & Fellow Economic Security, Systems Planning and Analysis Inc.
- **Mr. Sean Murphy**, Founder, Kompassion; Former Founder, Bison Blockchain
- **Mr. Tom Lyons**, Co-Founder, 2430 Group
- **Dr. Rush Doshi**, Assistant Professor, Georgetown University; C.V. Starr Senior Fellow for Asia and Director, China Strategy Initiative, Council on Foreign Relations

II. Background

The growing influence of the CCP presents significant economic and national security challenges for the United States (U.S.) and American small businesses. The CCP uses a combination of state-backed industrial policy, foreign investment strategies, and intellectual property (IP) theft to acquire critical technologies and IP from small businesses.¹ Small businesses drive innovation in many forms, from public-private partnerships that strengthen America’s industrial base to startups working to license and commercialize unique product ideas.

¹ KAREN M. SUTTER, CONG. RESEARCH SERV., IF11284, U.S.-CHINA TRADE RELATIONS, 1 (Mar. 4, 2026).

The CCP's acquisition of U.S. technology occurs through a variety of mechanisms, including counterfeiting, forced technology transfer, and strategic investments that provide access to proprietary information. According to the Federal Bureau of Investigation (FBI), the annual cost to the U.S. economy from counterfeit goods, pirated software, and trade-secret theft is estimated between \$225 billion and \$600 billion.²

Small businesses also face growing risks from foreign investment structures that obscure ownership and create vulnerabilities for sensitive technologies. Early-stage startups frequently require venture capital or private equity funding to scale their innovations; yet, these investments can originate from entities with indirect links to foreign adversaries. In many cases, CCP-backed companies invest in critical technologies that support American national defense, posing potential risks to national security. Because startup founders often lack access to sophisticated legal and due diligence resources, they struggle to identify complex ownership structures or shell companies used to conceal foreign government ties.

Supply chain dependence on Chinese manufacturing represents another vulnerability for small businesses. For decades, China's low labor costs have enabled it to dominate global production in sectors such as electronics, machinery, and consumer goods. Small businesses frequently rely on a limited number of suppliers and often lack the capital needed to rapidly diversify production or shift manufacturing domestically.

III. Conclusion

The U.S. must continue to strengthen its competitive edge against the CCP, safeguard American innovation, and reduce reliance on foreign adversary supply chains. This is essential to protect the American economy and bring opportunities back to Main Street. This hearing will provide an opportunity to examine these challenges and explore solutions to help ensure small businesses have the tools needed to secure investment and build resilient supply chains, enabling them to innovate and compete globally.

² FED. BUREAU OF INVESTIGATION., EXECUTIVE SUMMARY CHINA: THE RISK TO CORPORATE AMERICA, 1 (2019).