



# Prepared Statement: For the Hearing “Defending Main Street: Combating CCP Threats to America’s Small Businesses”

Prepared statement by

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Chairman Williams, Ranking Member Velazquez, and distinguished Members of the Committee, thank you for this opportunity to testify.

My argument is simple: Small businesses are critical to America’s industrial and technological future. Today our small businesses, particularly those involved in manufacturing, are facing unprecedented if not existential challenges as China mounts the most comprehensive industrial strategy any major power has ever attempted. And the task for this Committee is to consider how to help these small businesses meet that challenge.

This statement addresses four questions.

## **First, what are China’s objectives in manufacturing and technology?**

The Chinese Communist Party aims to “catch up and surpass” the West. It believes there have been four industrial revolutions that determined the fate of nations. The first was steam power, which brought British dominance. The second was electrification and the third was mass manufacturing, which brought American dominance. We are now in the fourth — quantum, biotech, AI, and robotics — which China is determined to win. Its purpose in seeking to win this revolution is not merely to achieve prosperity, but also relative power.<sup>1</sup> Beijing sees manufacturing as the key to winning this revolution.

## **Second, what progress has China made in manufacturing and technology?**

China overtook the United States to become the world's dominant manufacturer in less than twenty-five years. Over that period, our share of manufacturing fell by half from 30 percent to 15 percent. China's share quintupled from 6 percent to 30 percent.<sup>2</sup> It now exceeds that of the next nine countries combined.<sup>3</sup> It is not standing still. China spends roughly \$400 billion on industrial policy per year and has achieved leadership positions in advanced sectors from batteries and electric vehicles to solar panels and biotechnology.<sup>3</sup> By contrast, the U.S. Chips and Science Act is \$50 billion over multiple years.

## **Third, what is the role of small businesses in manufacturing and technology?**

There is a debate today on how to reindustrialize. But it too often misses a simple fact: the path to U.S. reindustrialization runs through our small businesses.

Large firms have dominated American manufacturing for decades, and they still do today. Their supply chains, however, are composed of smaller, specialized firms that produce precision components, tooling, specialty materials, software, and process equipment—and where specialized process knowledge often resides.

Consider aerospace and defense. Roughly 70 percent of Boeing's Dreamliner comes from its smaller suppliers. Roughly 60 percent of all employment in the sector is in small and mid-sized businesses.<sup>45</sup> The story is similar in several other sectors, including automotives.<sup>6</sup>

China recognizes the value of small and medium enterprises, viewing its program as a means to boost innovation, replace foreign suppliers, eliminate chokepoints, and create globally competitive companies. That is why China has made this sector a priority.<sup>7</sup>

In 2011, China launched the "Specialized, Refined, Unique, Innovative" (专精特新) program to support small businesses in high-technology and manufacturing sectors. Then, in 2015, China launched its Made in China 2025 program, a massive industrial policy push to catch up and surpass the West in key high-technology sectors.

Three years later, as part of that effort, its Ministry of Industry and Information Technology upgraded the "Specialized, Refined, Unique, Innovative" program by launching the "Little Giants" (小巨人) initiative, which provides even more support for the very best small and medium manufacturers in high-tech sectors. To date, more than 17,000 firms have been designated "Little Giants."<sup>8</sup> Ninety percent of these companies are in fact in high-tech manufacturing, and some have grown into global titans, like Unitree Robotics.

This program is competitive. To become "Little Giants," firms must hit growth targets, spend on research and development, and fit into prioritized government sectors. Once they obtain the coveted "Little Giants" designation, they receive access to an impressive package: preferential loans, direct subsidies, state equity investment, quick patent processing, university research support, streamlined stock market listings, and mandatory integration into the supply chains of state-owned enterprises (SOEs).<sup>9</sup> This is what our system is up against.

#### **Fourth, what steps can Congress take to support American small businesses, particularly those in manufacturing and technology?**

The Small Business Administration (SBA) has some powerful tools. In FY2025, it guaranteed \$45 billion in loans to more than 85,000 small businesses—the most in its history, though only a small fraction went to manufacturers.<sup>10</sup> More needs to be done, and Congress can draw on elements of Beijing’s approach without replicating it wholesale.

First, China is going all-in on research support, but we have let the programs we use to support early-stage research in small businesses lapse. Congress should immediately reauthorize the Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR).

Second, China packages benefits together and ties them to a certification program. We instead launch individual, uncoordinated programs. We can change that. Congress should direct the SBA to launch a program to certify companies in key technology sectors to unlock a package of demand-side, supply-side, and regulatory support.

Third, by some estimates, China’s “Little Giants” raised \$125 billion from private sources, often with state support and credentialing playing a critical role, in only a few years.<sup>11</sup> Meanwhile, the first cohort of our SBIC Critical Technologies Initiative might channel \$4 billion to small businesses. Congress should scale up the program given the competitive challenge from China.

Fourth, China provides manufacturers ample access to low-cost capital, including loans. To keep up, Congress should raise the loan amounts under the SBA’s new Manufacturer’s Access to Revolving Credit program from \$5 million.

Fifth, China’s “Little Giants” can draw on universities, state research institutes, and SOE mentors for technical assistance. Our equivalent program has lapsed.<sup>12</sup> Congress should restore the Manufacturing Extension Partnership (MEP) promptly.

These recommendations are among the most straightforward steps Congress could take. The common thread running through them is integration. The SBA already possesses loans, equity vehicles, research and development programs, and technical assistance. What it lacks is a mechanism to deploy them together in a coordinated way.

China has built that coordinated capacity, and it is working. This Committee has the tools—and the jurisdiction—to build an equivalent with American characteristics.

Thank you for your time, and I look forward to your questions.

## Notes

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- <sup>1</sup> Rush Doshi, *The Long Game: China's Grand Strategy to Displace American Order* (New York: Oxford University Press, 2021).
- <sup>2</sup> Estimates for shares of global manufacturing vary. See, U.S. Library of Congress, Congressional Research Service, *U.S. Manufacturing in International Perspective*, by Marc Levinson, R42135 (February 21, 2018), <https://sgp.fas.org/crs/misc/R42135.pdf>.
- <sup>3</sup> Richard Baldwin, "China is the World's Sole Manufacturing Superpower: A Line Sketch of the Rise," VoxEU (Column), Centre for Economic Policy Research, January 17, 2024, <https://cepr.org/voxeu/columns/china-worlds-sole-manufacturing-superpower-line-sketch-rise>.
- <sup>4</sup> These statistics are widely-used if slightly dates. If anything, the trend is towards continued use of suppliers. See John Teresko, "Boeing 787: A Matter of Materials — Special Report: Anatomy of a Supply Chain," *IndustryWeek*, December 1, 2007, <https://www.industryweek.com/leadership/companies-executives/article/21942033/boeing-787-a-matter-of-materials-special-report-anatomy-of-a-supply-chain>. See also David Pritchard and Alan MacPherson, "A Wing and a Prayer: Outsourcing at Boeing," *YaleGlobal Online*, January 30, 2009, <https://archive-yaleglobal.yale.edu/content/wing-and-prayer-outsourcing-boeing>.
- <sup>5</sup> Aerospace Industries Association, *Facts & Figures: U.S. Aerospace & Defense* (Washington, DC: Aerospace Industries Association, 2024), <https://www.aia-aerospace.org/industry-impact/>.
- <sup>6</sup> McKinsey & Company, "Automotive Suppliers," McKinsey Automotive & Assembly Practice, <https://www.mckinsey.com/industries/automotive-and-assembly/how-we-help-clients/automotive-suppliers>; MEMA, "U.S. Automotive Parts Manufacturing Jobs Up Nearly 19 Percent," press release, Motor & Equipment Manufacturers Association, 2017, <https://www.mema.org/us-automotive-parts-manufacturing-jobs-nearly-19-percent>.
- <sup>7</sup> Alexander Brown, François Chimits, and Gregor Sebastian, "Accelerator State: How China Fosters 'Little Giant' Companies," Mercator Institute for China Studies (MERICS), August 3, 2023, <https://merics.org/en/report/accelerator-state-how-china-fosters-little-giant-companies>.
- <sup>8</sup> Zongshuai Fan, "How 'Little Giants' Help China Defend Its Manufacturing Dominance," *South China Morning Post*, February 25, 2026, <https://www.scmp.com/opinion/china-opinion/article/3344508/how-little-giants-help-china-defend-its-manufacturing-dominance>.
- <sup>9</sup> Alexander Brown, François Chimits, and Gregor Sebastian, "Accelerator State: How China Fosters 'Little Giant' Companies," Mercator Institute for China Studies (MERICS), August 3, 2023, <https://merics.org/en/report/accelerator-state-how-china-fosters-little-giant-companies>; Zongshuai Fan, "How 'Little Giants' Help China Defend Its Manufacturing Dominance," *South China Morning Post*, February 25, 2026, <https://www.scmp.com/opinion/china-opinion/article/3344508/how-little-giants-help-china-defend-its-manufacturing-dominance>.
- <sup>10</sup> U.S. Small Business Administration, *2025 Annual Report* (January 20, 2026) → <https://www.sba.gov/annual-report/>
- <sup>11</sup> U.S. Small Business Administration, *FY2025 Annual Report* (Washington, DC: SBA, 2025), <https://www.sba.gov/annual-report/>; Brown, Chimits, and Sebastian, "Accelerator State," citing CYZone, "2022 Specialised New Small Giant Enterprise Development Report" (January 2023).
- <sup>12</sup> Robert Schoenberger, "Manufacturing Extension Partnerships Face Uncertain Future as Trump Pulls Funding," *IndustryWeek*, April 7, 2025, <https://www.industryweek.com/leadership/news/55280007/manufacturing-extension-partnerships-face-uncertain-future-as-trump-pulls-funding>.
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