

## **SUBMITTED TESTIMONY**

### **Submitted Testimony of Andrew Pahutski**

#### **Before the House Committee on Small Business**

#### **Hearing on: “Defending Main Street: Combating CCP Threats to America’s Small Businesses”**

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Appearing in an individual capacity

*The views expressed in this testimony are my own and do not necessarily reflect the views of my employer, Systems Planning and Analysis, or any other organization.*

Chairman, Ranking Member, and Members of the Committee, thank you for the opportunity to testify today on a challenge that deserves far more attention than it often receives: the threat that Chinese Communist Party-linked activity poses to America’s small businesses.

Over 27 years in national security, including as a senior executive advising senior U.S. and foreign leaders, I have seen how economic and strategic risks increasingly converge. Today, in private industry, I partner daily with small businesses serving the U.S. government, and I see firsthand both the innovation they bring and the vulnerabilities they face.

The central point of my testimony is straightforward: America’s small businesses are not peripheral to our national strength. They are central to our future industrial capacity, innovation, and strategic advantage.

Every large business started small. Every major manufacturer, technology leader, and critical supplier began at a smaller scale, usually with fewer resources, fewer protections, and less ability to absorb risk that is created or directed by a national adversary. That is why protecting small business is not merely a local economic issue. It is a national security issue. Protecting small businesses means protecting America’s long-term competitive edge.

In today’s environment, economic security is national security. A nation’s strategic power is directly tied to its ability to innovate, produce products, secure supply chains, and scale trusted capabilities

That is also why this conversation should not be framed too narrowly around the defense industrial base alone. Our long-term advantage depends on the strength of the broader American industrial base. Many firms relevant to future national strength do not think of themselves as defense companies at all. They are small firms across key sectors of the American economy, building capabilities essential to America’s resilience, competitiveness, and security.

This issue is not only about stopping adversarial activity. It is also about making trusted growth easier than vulnerable growth for America’s small businesses.

The challenge is that CCP-linked threats to small businesses rarely appear in only one form. They can come through investment, supply-chain dependence, intellectual property theft, cyber intrusion, predatory pricing, data harvesting, talent recruitment, or business relationships that appear beneficial in the near term but create long-term vulnerability.

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For many small businesses, the threat does not present itself as coercion. It presents itself as opportunity: an investor, a supplier, a market, a key employee with specialized technical knowledge or a partnership at exactly the moment the firm is trying to grow.

That is why this issue deserves greater attention. Small businesses are often among the most innovative actors in our economy, but too often they are asked to navigate strategic risk without the resources, visibility, or support that larger firms can rely upon.

The public record illustrates the pattern clearly. In some cases, theft of proprietary technology has been followed by canceled contracts, financial losses, and layoffs. In others, agricultural trade secrets and sensitive research and development files have been stolen for transfer to China. The specific facts vary, but the underlying playbook is familiar across diverse American industrial sectors: steal innovation, exploit insiders, transfer advantage, and weaken U.S. firms before they can fully scale.

The risk is larger than the loss of any single business, contract, or patent. The larger danger is that the United States allows avoidable pressure on small firms to weaken the pipeline from which future industrial strength, innovation, and job creation emerge.

When promising firms are compromised early, when proprietary technology is stolen before it scales, and when American firms are undercut by non-market practices, the United States loses more than near-term economic value. It loses future capacity, resilience, and the next generation of manufacturers, suppliers, and technology leaders before they fully mature.

That is how strategic erosion occurs: quietly, incrementally, and often below the threshold of national attention.

The policy goal, in my view, should be straightforward: make trusted growth easier than vulnerable growth for America's small businesses.

That means helping small firms recognize risk earlier and more practically. It means expanding access to trusted growth capital so innovative American firms are not forced toward vulnerable financing or staffing practices. It means improving supply-chain visibility and supporting trusted sourcing. It means treating cybersecurity and intellectual property protection as part of economic competitiveness. And it means making federal support attractive and easier for small businesses to navigate.

The central policy question is not how to respond after an American company has already been compromised because that is more than likely too late to mitigate the damage. It is whether we will act early enough to ensure that the next generation of American innovators, manufacturers, and strategic suppliers can grow on a trusted, secure, and competitive path from the beginning.

Every large business started small. Every strategic industry begins somewhere. If we want to preserve the value of innovation for America's long-term advantage, we need to make sure the firms most likely to become our future strengths are able to grow, compete, and remain anchored here in the United States.

Thank you for the opportunity to appear before the Committee. I look forward to your questions.

Respectfully,

*Andrew Pahutski*

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