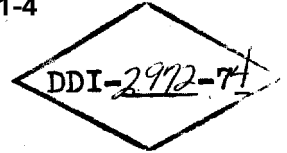


CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505



10 OCT 1974

Maj. Gen. George J. Keegan, Jr., USAF
Assistant Chief of Staff for
Intelligence
Department of the Air Force
Washington, D. C. 20330

Dear George:

Thank you for your letter of 25 September. The study of Chinese military expenditures was the first attempt by our Office of Strategic Research (OSR) to analyze the long term impact of Chinese weapon procurement. We appreciate your observations.

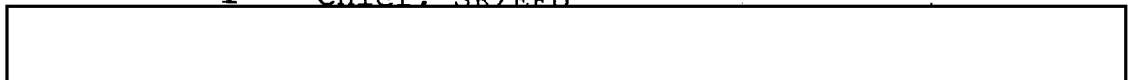
We share your concern about the problems in estimating Chinese military expenditures--particularly RDT&E costs--and we hope to sharpen our findings over time. The number of unknowns are substantial, however, and reaching definitive answers on the level of the overall Chinese defense effort will not be easy.

Sincerely,

Paul V. Walsh
Acting Deputy Director
for Intelligence

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