

Emergence of China as an economic power, has resulted not only creating problems for China, but for the other powers as well. China has been suffering many years under European, Western and Japanese control, which created severe social, political, and economic crises in the country. After the communist revolution in 1949, China emerged as an economic power. Following the Mao era, there has been an introduction of market oriented economic reforms which not only regained China to its lost political-economic activities, but also increased its power and prestige at international level. This has resulted in imposing challenge to the other economic powers.

This qualitative research will be focused on identifying the domestic and international challenges for China and to look for the prospects for dealing with these challenges. Modernization Theory of Walt Rostow and Theory of Economic Interdependence collectively constitute the theoretical framework of this study.