In 1927 the Communists, who had at one time been in alliance with the Nationalists, were driven from the cities by a purge and massacre carried out by Chiang Kai-shek's forces, and established themselves in the countryside of Kiangsi province. Under severe pressure from Nationalist attacks they abandoned Kiangsi in 1934, and in the great Long March their armies travelled westward to Szechwan and north across Kansu, to re-establish the remnants of their forces at Yenan in Shensi. From there they maintained their position against both the Nationalists and the Japanese.

The Sino-Japanese war of 1895 had seen the first clash between a weakened China and a resurgent Japan; according to the terms of the treaty of Shimonoseki, China ceded Taiwan, the Liaotung peninsula in north-east China and the Pescadores islands to Japan. As a result of her victory in the Russo-Japanese war of 1905, Japan took over Russia's sphere of influence in north-eastern China. In 1931 the Japanese occupied Shenyang (then called Mukden) in a surprise attack, and for the next fourteen years Nationalists and Communists in China were at war not only among themselves but with the armies of Japan.

The end of the Japanese threat in 1945 marked the beginning of the second phase of civil war, as the Communists from the north-west and the Nationalists, who had survived the war at Chungking in Szechwan, struggled for power in a country which had not shown even a façade of unity for more than a generation. By 1949 the Nationalist armies were destroyed and their garrisons had been surrounded and captured. Chiang Kai-shek and the remnants of his party took refuge in Taiwan, leaving mastery of China proper to Mao Tse-tung and the People's Republic of China.