

In 1946, China was in a state of civil war that had fully resumed after the end of World War II, fought between the **Kuomintang-led government of the Republic of China (KMT)** under Chiang Kai-shek and the forces of the **Chinese Communist Party (CCP)** led by Mao Zedong. 

Political Situation

- **Resumption of Civil War:** Although the two sides had maintained an uneasy "Second United Front" against the Japanese during WWII, full-scale warfare resumed on June 26, 1946, after attempts to form a coalition government failed.
- **Negotiations and Mediation:** Throughout late 1945 and into 1946, U.S. General George Marshall was in China on the "Marshall Mission" to mediate and bring both parties into a coalition government, but his efforts ultimately failed due to mutual distrust and a lack of willingness to compromise from both sides' hardliners.
- **International Alignment:** The KMT government received substantial military and financial support from the United States, while the CCP received captured Japanese weapons from the Soviet Union in Manchuria. The Soviets delayed their withdrawal from Manchuria, allowing CCP forces to move in and take control of key areas and materiel.
- **Domestic Issues:** The KMT government struggled with rampant corruption, hyperinflation (which reached 3,000% of pre-war levels by 1945), and a loss of popular support, especially among the middle class and peasantry. 

Military Situation

- **Initial KMT Advantage:** The Nationalists initially held most of the country and had numerically superior forces, better equipment (due to U.S. aid), and controlled the major cities and transportation hubs.
- **CCP Strategy:** The CCP adopted a strategy of "passive defense" and guerrilla warfare, avoiding direct confrontations with KMT strong points and focusing on consolidating control in the countryside, where they implemented popular land reform policies that won over the peasant population.
- **Early Engagements:** The KMT had initial military successes, including capturing some northern cities and later the symbolic communist capital of Yan'an in March 1947. However, the CCP successfully established a strong presence in northern China and Manchuria by the end of 1946, gradually gaining the upper hand as KMT forces were worn down by the conflict and internal issues. 

In essence, 1946 marked the beginning of the decisive phase of the Chinese Civil War, with the KMT controlling most urban areas and the CCP solidifying its base in rural areas, setting the stage for the communist victory in 1949. 