In the opinion of Zhang Yufa, Nationalist Government was very much aware of the communist sabotage but chose to refrain from taking action as a precautionary measure for maintaining the collaboration scheme with the Soviet Union & Chinese communists and securing the wartime support. Tolerant policies would include: 1) allowing the establishment of Shen-Gan-Ning Borderline Government [March 1939] and Jinn-Cha-Ji-Sui Borderline Government which were empowered with printing own currency and assignment of administrative officials; 2) conferring the post of "politics participants [councillor] of national government" onto seven senior communist leaders including Mao Tse-tung, Zhou Enlai, Chen Shaoyu [Wang Ming], Qin Bangxian [Bo-gu], Dong Biwu, Wu Yuezhang & Deng Yingchao, and the post of deputy director of "politics department of the military committee of the national government" onto Zhou Enlai; and 3) approving the communist publication & distribution of "New China Daily" newspaper in Chongqing and establishment of representative offices of the Eight Route Army in Chongqing, Xi'an & Chengdu etc.

However, Mao Tse-tung had taken the path of expansion right after the Shanxi Province campaign by ordering Lin Biao's 115th Division to Shanxi-Chahar area, Heh Long's 120th Division to northwestern Shanxi Province, and Liu Bocheng’s 129th Division to Shandong-Hebei provinces. The expansion into domains other than Yan Xishan's 2nd military district in Shanxi Province meant for the annexation of the military districts and subdistricts of the other Nationalist Government generals. From August of 1939 to Feb of 1940, communist forces attacked the Nationalist Army nine times in northern China per Zhang Yufa. Zheng Langping cited the report from the KMT military committee in pointing out that communist troops had mounted close to 1000 attacks at the government troops. In Dec 1938, communist troops destroyed Zhang Yinwu & Qiao Mingli's government troops in Hebei Province. Qin Qirong's KMT forces in Shandong, in addition to Zhang Yinwu's KMT forces in Hebei provinces, were basically eliminated by the Eight Route Army by Sept of 1939. In March of 1940, Lu Zhonglin the KMT Provincial Chair for Hebei Province, retreated to Shanxi Province under the communist pressure. Also in 1940, communist troops laid siege of Sun Liangcheng & Gao Shuxun's KMT troops in Shandong Province. Eight Route Army hence expanded to a headcount of 400,000 from the original three division base of 28,000.

Communist Eight Route Commander Zhu De, being one of the two deputy commander-in-chiefs as Wei Lihuang, however, had shown diplomatic wisdom in winning the
friendship of his "partner": In the spring of 1940, Zhu Huaibing & Lu Zhonglin troops were defeated by Eight Route in Shanxi-Hebei provinces; 8th Route pushed to the south of Zhang-he River; KMT government ordered that Wei Lihuang lead 10 divisions across the Yellow River for fighting Zhu De's communist troops; Wei himself crossed the river for a pursuasion of CCP to the north of Zhang-he River.

In eastern and southern China, communist-controlled New Fourth Army expanded to 100,000 in southern Jiangsu Province and eastern Anhui Province by 1940. In July of 1940, Chen Yi's New Fourth Army attacked the KMT domain in Jiangsu Province via the Huangqiao Campaign, and eliminated the troops of deputy provincial chair Han Deqin and killed 89th Corps Chief Li Shouwei by Oct of 1940.

CCP claimed that KMT, after Jan 1939 KMT 5th Plenary of 5th Congress, had launched five bloody crackdowns on CCP-controlled bases, i.e.,

Boshan Incident on April 30th 1939
Shenxian Incident on June 11th 1939
Pingjiang Incident on June 12th 1939
E'dong [Eastern Hubei Prov] Incident on Sept 1st 1939
Queshan Incident on Nov 11th 1939

Li Xiannian, who arrived in Queshan with a dozen cadres from Yan'an in Jan 1939, was empowered by Mao Tse-tung with the task of developing communist bases in Henan-Hubei provinces. At Queshan, CCP's 8th Regiment of New Fouth Army had two columns already developing the so-called enclave. Li Xiannian brought along one column of about 160 soldiers for further development at Mt Siwangshan, around Henan-Hubei border area. By May 1939, Li Xiannian infiltrated into central Hubei Province by absorbing various locally organized gentry forces as well as the so-called "puppet government" forces. (Note that Wang Jingwei's puppet Nanking government would not get established till after Jan 1940, and I could not determine the nature of "puppet government" forces that Li Xiannian had destroyed and merged.) Chiang Kai-shek telegraphed CCP's New Fourth Army and ordered that Li Xiannian's forces must leave Hubei Province since KMT already zoned Hubei Province as its 5th Military District.

CCP New Fourth Army Attacking KMT (July 1940) - Huangqiao Battle

Wan-nan Incident (Jan 1941)

With mounting conflicts between KMT forces and communist forces, Chiang Kai-shek, on Oct 19th 1940, made a concession by yielding the domain north of the Yellow River to communist-controlled forces. KMT government ordered a relocation of communist troops to north of Yellow River on Nov 19th 1940. CCP responded with Dec 9th 1940 telegraph but delayed the move in late Dec under the pretext that KMT divulsion of the relocation might cause the New Fourth Army a loss after Japanese reinforced the Yangtze blockade. KMT Military Committee, on Dec 9th, pointed out the deadline of Dec 31st for move to north of Yangtze and Jan 30th 1941 for move to north of Yellow River. Alternative theories pointed to an ideological and power struggle between Xiang Ying's
CCP Yangtze Bureau and Mao Tse-tung's CCP Central in regards to the control and operation of the New Fourth Army. After the Jan 1941 Wan-nan Incident, CCP claimed that the bulk of New Fourth Army was already moved to north, but the designated Fanchang-Tongling Crossing was risky since 1) Japanese had deployed more Yangtze blockade forces and ii) Li Xianzhou & Mo Dehong's KMT forces had attacked northern Anhui and took over the path of Quanjiao and Wuwei the across the Yangtze.

CCP claimed that KMT government had agreed upon an alternative route through southern Jiangsu Province via passing Ningguo county but the New Fourth Army was attacked by 52nd Division, and then was attacked again in Maolin. Alternative reports from Japanese side did corrobobate the communist claim that some portion of Xiang Ying's New Fourth Army did cross the Yangtze on Jan 4th; however, Xiang Ying then made a move to the south, instead. Zhang Yufa stated that on Jan 5th 1941, New Fourth Army attacked KMT 40th Division in the course of concentrating and charging towards the southern direction. Gu Zhutong, later in Jan 15th document, reported from 3rd military district that New Fourth Army stealthily moved to the south from Jingxian in early Jan, and the attacked KMT 40th Div with three columns on 4th. Gu Zhutong the comander-in-chief of 3rd Military District ordered the solution of the New Fourth Army. Gu Zhutong & SHangguan Yunxiang directed the siege. On Jan 6th, near Maolin village of southern Jingxian county, New 4th Army was attacked by KMT 40th Div [Zahan Zhongyan], 39th Div, 52nd Division [Tang Yunshan], 108 Division [Shu Jiwu] and 144 Division [Fan Zijin]. Also participating will be Duan Maolin's 79th Division, Tian Zhongyi's 7th Division, Wang Jingxiu's 10th Division. After 8 days and 8 nights, by 13th, war was over, with about 5000 New Fourth Army soldiers caught by the KMT forces.

On Jan 17th, KMT declared the New Fourth Army a rebel, revoked the numbering as well as proclaimed a court martial for corps chief Ye Ting. Mao Tse-tung, however, immediately empowered Chen Yi & Liu Shaoqi with leadership of the New Fourth Army which was re-organized into seven divisions. The consequence of Wan-nan Incident would be propoganda attacks at the Chiang Kai-shek government both domestically and internationally. Hence, the original plan of relocating communist-controlled forces to north of the Yellow River collapsed.