

# The Baghdad taipans

How two Sephardi Jewish families helped create the business hubs of Hong Kong and Shanghai

By Tibor Krausz

**YOU KNOW** you are in for a treat when you pop open a book of nonfiction about the fabled Jewish tycoons of Shanghai, glance at the first entry in a prefatory cast of characters chapter, and read the following about David Sassoon, the Baghdad-born entrepreneur and patriarch who struck it rich in China in the 19th century:

“Though he never learned Chinese or English,” writes Jonathan Kaufman in *The Last Kings of Shanghai*, “he piloted his family to dominate the China trade, subdue and shape Shanghai, control the opium business, bankroll the future king of England, and advise prime ministers.”

There in a sentence is a life encapsulated, more or less, in neat bullet points. It’s the story in shorthand of a man who made it big in an exotic, faraway land during an epoch of historic change and great sociopolitical upheavals.

That Sassoon, a scion of a patrician family of wealthy Jewish merchants in Baghdad where they had lived for centuries, never learned Mandarin despite his prominent role in the huggier-mugger business of the opium trade, is understandable. He lived in Bombay and did business in China only from afar by help of some of his eight sons.

That he would never learn English despite being a professed Anglophile who was already fluent in Hebrew, Arabic, Turkish and Farsi is more peculiar. Sassoon fled Baghdad in fear for his life in 1829 under cover of darkness after being sprung from prison by his elderly father, who was the city’s treasurer and its *nasi*, or head of the local Jewish community.

David Sassoon ran away to escape the clutches of Dawud Pasha, an avaricious Mamluk ruler who sought to lay his hands on some of the Sassoons’ wealth. This the pasha did by threatening to hang the 37-year-old merchant unless a large ransom was paid during the Ottoman potentate’s persecution of local Jews. The episode is the stuff of bona fide cloak-and-dagger adventures

and one wishes the author had spent more time on it than a few sentences relayed matter-of-factly.

In any event, the Jewish exile made it to Bombay, today’s Mumbai, in the British Raj where he wasted little time setting up in business, turning himself into a prominent local tycoon with his finger in many a profitable pie. “Less than a decade after arriving in Bombay, David Sassoon was one of the richest men in India,” writes Kaufman, a seasoned reporter who is director at the Northeastern University of Journalism in Boston, Massachusetts. “He was just getting started.”

With his sons the steadfastly observant Sassoon, who built a Victorian-style synagogue in the Indian city for fellow refugees from Baghdad and became a prominent benefactor of Jews far and wide, “pioneered many of the tools of modern capitalism and applied them ruthlessly, deploying steamships, the telegraph and modern banks,” the author explains in a well-researched tome that is frequently engaging with enough twists and turns to qualify as a real-life family saga.

One especially lucrative line of business for the Sassoons involved running opium from India to China at huge profit margins, which helped make them fabulously wealthy. The Sephardi Jews, whose ethnic origins were routinely mocked by their snooty British competitors, proceeded to outwit their main rival Jardine, Matheson & Co, one of the largest trading companies in the Far East, by dealing directly with Chinese traders to sell the narcotic to coolies, laborers and shopkeepers in the Middle Kingdom as an addiction epidemic was sweeping the country.

“The suffering of China’s opium addicts rarely entered into the Sassoons’ letters, telegrams and ledger books,” Kaufman reports. “Seen in the most favorable light, the Sassoons’ view of the opium trade paralleled that later taken by entrepreneurs peddling tobacco and alcohol. They knew its harmful

effects, yet their job was to make money, not prohibit vice.”

Elias, one of David’s sons, proved himself especially adept at navigating the quicksand terrain of doing business inside China, a country closed off to foreign trade until the British and the French pried it open forcefully in the Opium Wars of the mid-19th century. Strong-willed, solitary and secretive, Elias relocated to Shanghai to strike out on his own, becoming a quintessential taipan, as prominent foreign businessmen in China were known. “He would stroll across the courtyard of his house, dressed in aristocratic Chinese robes and spectacles,” Kaufman writes.

Halfway around the planet in London the Sassoons, dubbed “the Rothschilds of Asia,” set up another headquarters for the family business. There, Reuben and Albert, two of David’s other sons, befriended Prince Edward, the profligate, wayward heir to the British throne. The brothers attended horse races with the Prince of Wales, accompanied him on his weight loss trips to Eastern Europe, visited him in Windsor Castle and helped finance his lavish lifestyle. Before long, the Sassoons became just as influential in London as they were in Bombay.

Ultimately, however, it was in the emerging oriental business hubs of Shanghai and Hong Kong that the family would truly make its mark. So would Eleazer “Elly” Kadoorie, another Baghdad Jew whose biography seems ready-made for a Hollywood rags-to-riches blockbuster. A son of a widow, Kadoorie was just 15 in 1880 when he traveled to the Far East to try his luck as an apprentice for the Sassoons, who ran their own training programs to create a cadre of highly skilled employees for their various ventures.

The young upstart soon decided to go his own way and succeeded spectacularly, metamorphosing from a humble stockbroker into a prominent financier after he made a fortune by speculating on the price of rubber, a commodity highly prized in a new era

of mass-produced automobiles whose tires needed rubber from countries like Malaysia. He married a well-bred woman from a prominent Jewish family in London and sired two sons, Lawrence and Horace, who would help take the thriving family business to even greater heights in Shanghai and Hong Kong.

It was a turbulent period in Chinese history. In 1912 the Qing Dynasty was overthrown in an armed uprising and the country disintegrated into lawless fiefdoms. Luckily for the Sassoons and the Kadoories the foreign-protected extraterritorial enclave of the International Settlement in Shanghai remained an island of peace and calm. Once a backwater with muddy streets of ramshackle hovels and open sewers, the city was now a bustling Western-style hub of finance, commerce, popular culture and raucous nightlife. Lawrence Kadoorie, a chip off the old block when it came to business, called the city the “Paris of the Orient.”

At the heart of it all were the two prominent families of Sephardi Jews from Baghdad, who “helped open the world to China — and open China to the world,” as Kaufman puts it. In 1924, capitalizing on the city’s newfound popularity, the Kadoories opened a magnificent hotel called the Majestic, which promptly turned into a fulcrum of high society. That same year they moved into a sumptuous, newly built residence of stately grandeur called Marble Hall (which is now the China Welfare Institute Children’s Palace) where they threw lavish parties in the ritzy style of the Roaring Twenties for tycoons, socialites, and visiting Hollywood movie stars.

Not to be outdone, Victor Sassoon, a grandson of David who relocated from Britain to Shanghai to run his family’s business ventures, built the Cathay, an even more imposing and trendy hotel, stealing the Kadoories’ thunder with his soirees and costume parties. A savvy, Cambridge-educated bon vivant with a monocle, a pencil mustache and an arm invariably wrapped around a fetching young woman, Victor was a perennially eligible bachelor and another larger-than-life character in the long and illustrious line of Sassoons.

Disabled from the waist down after a military plane crash in World War I, he hobbled along on crutches, but that didn’t slow him down. “[He] loved everything new in the 1920s: fast cars, airplanes, motion pictures, movie stars,” Kaufman writes. Victor Sassoon was also an avid photographer who

especially enjoyed taking pictures of women in the nude. He invested wisely and widely around Shanghai, which by then was China’s dominant economic center — in textile mills, shipyards, automobile dealerships, public transport and numerous high-end properties.

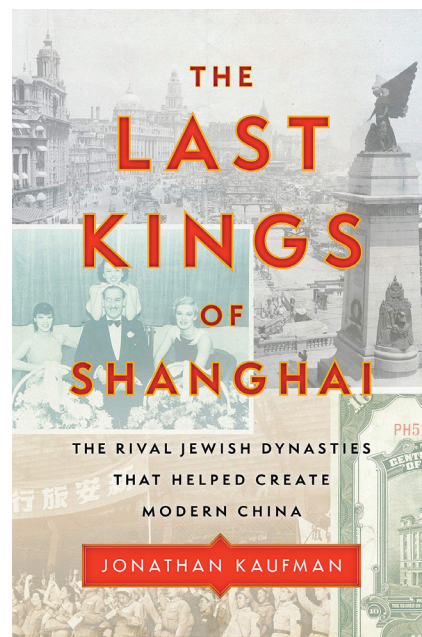
Ironically, however, the freewheeling climate of the cosmopolitan city with its modern high-rises and art deco buildings was also its undoing. It highlighted the stark contrasts between rich foreigners and impoverished locals, helping incubate Mao Zedong’s nascent Communist Party, whose members began holding secret meetings within walking distance of the palatial mansions of the Sassoons and the Kadoories.

Mao’s movement drew its support from among the great masses of disenfranchised urban and rural poor among native Chinese who lived in grinding poverty and might face daily humiliations in the foreign-run parts of Shanghai where indigent locals were treated as second-class residents. In just one year, in 1935, nearly 6,000 corpses of desperately poor Chinese people were collected off the streets of the International Settlement where they succumbed to disease and starvation or were dumped by relatives unable to afford funeral services.

Within a little over a decade the Chinese communists would bring the whole western-built edifice of boisterous free market capitalism in Shanghai crashing down. Victor would lose his entire fortune in the city and the Kadoories would lose theirs. The latter, though, had presciently diversified their portfolio by investing in Hong Kong, which served them well after the communist takeover forced them to leave Shanghai for good. In Hong Kong the two Kadoorie brothers would start all over, turning into billionaires once again with their various holdings, including public utilities.

Yet before the curtain finally fell on the storied reign of the Kadoories and the Sassoons in Shanghai, they ended up doing a great service to thousands of their co-religionists from Germany and Austria who began fleeing the Nazis’ escalating campaigns of violence against them in the late 1930s.

Coming to the aid of many Austrian Jews was Ho Feng-Shan, a sympathetic Chinese diplomat in Vienna who issued more than 4,000 Jews with exit visas and encouraged them to seek refuge in Shanghai where Elly Kadoorie and Victor Sassoon, albeit rivals in business, joined forces to turn the Chinese city into a more welcoming haven for the



**The Last Kings of Shanghai:  
The Rival Jewish Dynasties  
That Helped Create Modern China**

Jonathan Kaufman

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refugees. In all, over 18,000 European Jews fled to in Shanghai, most of them penniless and traumatized. They needed all the help they could get in the decrepit, overcrowded tenements in a bombed-out, rundown part of town where they were housed. Most of them languished on the verge of outright starvation.

The Jewish tycoons proved pivotal in providing succor. They fed thousands of European Jews and found jobs for many of them. The Kadoories also set up a school for hundreds of Jewish children. The Japanese takeover of Shanghai at the end of 1941 brought even more severe hardships, but it was partly thanks to the Kadoories and Victor Sassoon that the refugees in Shanghai survived the war while millions of other Jews in Europe perished.

For that the Jewish tycoons deserve accolades, yet they have long since been relegated to footnotes in modern Jewish history. Kaufman’s book, which weaves a page turner of a tale, restores the two legendary families from Baghdad to their rightful place as masters of their universe during a bygone era in one of the Far East’s most fabulous cities. ■