Master’s Thesis

Liechtenstein and the German tax affair:
A debate on economic and financial policy, ethics and national interests conducted via the media

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Declaration

I affirm that I have written this master's thesis myself and that I have only used the sources and aids indicated.

Triesen, 31 July 2008

(Dr. Gerlinde Manz-Christ)
Executive Summary

The attention-grabbing arrest of Klaus Zumwinkel live on camera on 14 February 2008 triggered the German and international tax debate, which was carried out via international – and especially German – media. Conflicts like this tax debate will increase between States in the emerging world society. In order to handle them, professional communication by Government offices using agenda setting and issue management will play an ever greater role.

The classic form of communication between States is traditional diplomacy, the purpose of which is to resolve international disputes by peaceful means. Public diplomacy complements classic diplomacy by including the public, and it encompasses all communication measures between a Government and the public of another country. The German tax debate was carried out via the media, even though it had an obvious political dimension.

The present thesis analyzes and interprets the case study “Liechtenstein and the German tax affair” with the help of agenda setting and issue management theories. It researches which actors made themselves heard by way of which influence processes, which actors were present in the media, and which issues were managed in what way. “Social framing of issues” – a model developed by Wolfgang Eichhorn within agenda setting theory – serves as the basis for analysis and interpretation. This model was originally developed for application within a single society. The present thesis examines whether this model may also be applied to transnational communication, i.e. communication between two States, based on the hypothesis that transnational communication carried out via the media is becoming “communication within a single system” as a consequence of progressing globalization, and thus increasingly the same rules apply as to businesses.

The methodology chosen is a detailed document analysis of the German print media in the period from 1 January to 31 March 2008. The thesis concludes that the model of social framing of issues is applicable in principle, but must be extended. Agenda setting and issue management not only take place within the States involved in the conflict, but also between these States as well as with respect to other States and organizations that may not be directly involved in the original conflict, but that consider themselves affected by the fundamental issues raised by the conflict. Moreover, the framework conditions permeating and influencing the disputed issues and relations between the various arenas must also be considered. The new model of transnational framing of issues developed in the present thesis takes account of these considerations.

Keywords

Agenda setting, social framing of issues, transnational framing of issues, issues, issue management, tax affairs, communication processes, communication between States
# Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>iii</td>
</tr>
<tr>
<td>Keywords</td>
<td>iii</td>
</tr>
<tr>
<td>List of figures</td>
<td>vi</td>
</tr>
<tr>
<td>List of tables</td>
<td>vi</td>
</tr>
<tr>
<td>List of abbreviations</td>
<td>vii</td>
</tr>
<tr>
<td>List of appendices</td>
<td>viii</td>
</tr>
<tr>
<td>1 Introduction</td>
<td>1</td>
</tr>
<tr>
<td>2 Introduction of the categories of analysis</td>
<td>4</td>
</tr>
<tr>
<td>2.1 Agenda-setting approach (method for selecting topics)</td>
<td>4</td>
</tr>
<tr>
<td>2.2 Issues management</td>
<td>6</td>
</tr>
<tr>
<td>2.3 Crisis communication</td>
<td>9</td>
</tr>
<tr>
<td>2.4 &quot;The process of social framing of issues&quot; model developed by Eichhorn (2005)</td>
<td>10</td>
</tr>
<tr>
<td>2.4.1 Basic idea and goal of the model</td>
<td>10</td>
</tr>
<tr>
<td>2.4.2 Three spheres</td>
<td>12</td>
</tr>
<tr>
<td>2.4.3 Actors</td>
<td>12</td>
</tr>
<tr>
<td>2.4.4 Processes</td>
<td>12</td>
</tr>
<tr>
<td>2.4.5 Functions</td>
<td>14</td>
</tr>
<tr>
<td>3 Overarching question – Thesis – Objective</td>
<td>15</td>
</tr>
<tr>
<td>4 Methodology</td>
<td>17</td>
</tr>
<tr>
<td>5 Description of the &quot;tax affair&quot; in the period from 1 January 2008 to 31 March 2008 and its framing within the period of November 1999 to June 2008</td>
<td>21</td>
</tr>
<tr>
<td>5.1 Preceding phase &quot;Time of reforms&quot; (November 1999 – December 2007)</td>
<td>21</td>
</tr>
<tr>
<td>5.1.1 New structures and framework conditions for the financial center</td>
<td>21</td>
</tr>
<tr>
<td>5.1.2 Overview of the developments in the Liechtenstein financial center from 1999 – 2008</td>
<td>25</td>
</tr>
<tr>
<td>5.1.3 New paths in communication</td>
<td>26</td>
</tr>
<tr>
<td>5.2 Phase 1 &quot;The reform process continues steadily&quot; (1.1.- 13.2.2008)</td>
<td>28</td>
</tr>
<tr>
<td>5.2.1 Contents</td>
<td>28</td>
</tr>
<tr>
<td>5.2.2 Communication</td>
<td>28</td>
</tr>
<tr>
<td>5.3 Phase 2 &quot;The Zumwinkel affair&quot; (14.2. – 17.2.2008)</td>
<td>29</td>
</tr>
<tr>
<td>5.3.1 Overview of events</td>
<td>29</td>
</tr>
<tr>
<td>5.3.2 Communication measures by Liechtenstein</td>
<td>30</td>
</tr>
<tr>
<td>5.4 Phase 3 &quot;Expansion of Zumwinkel affair into tax affair&quot; (18.2. – 29.2.2008)</td>
<td>31</td>
</tr>
<tr>
<td>5.4.1 Overview of events</td>
<td>31</td>
</tr>
<tr>
<td>5.4.2 Communication measures by Liechtenstein</td>
<td>32</td>
</tr>
<tr>
<td>5.5 Phase 4 &quot;Media interest subsides&quot; (1.3. – 31.3.2008)</td>
<td>34</td>
</tr>
<tr>
<td>5.5.1 Overview of events</td>
<td>34</td>
</tr>
<tr>
<td>5.5.2 Communication measures by Liechtenstein</td>
<td>35</td>
</tr>
<tr>
<td>5.6 Subsequent phase &quot;It will never be the same again&quot; (1.4. - 30.6.2008)</td>
<td>36</td>
</tr>
<tr>
<td>5.6.1 Overview of events</td>
<td>36</td>
</tr>
<tr>
<td>5.6.2 Communication measures by Liechtenstein</td>
<td>36</td>
</tr>
<tr>
<td>6 Interpretation of the tax affair on the basis of media reporting and using the model of social framing of issues</td>
<td>38</td>
</tr>
<tr>
<td>6.1 Phase 1 (1.1. - 13.2.2008) - Weak signals?</td>
<td>39</td>
</tr>
<tr>
<td>6.2 Phase 2 (14.2. – 17.2.2008) - The &quot;Zumwinkel affair&quot;</td>
<td>40</td>
</tr>
<tr>
<td>6.3 Phase 3 (18.2. – 29.2.2008) – Expansion of Zumwinkel affair</td>
<td>41</td>
</tr>
</tbody>
</table>
6.4 Phase 4 (1.3.– 31.3.2008) – Media interest subsides ........................................ 44
6.5 Identification of the actors................................................................................. 46
  6.5.1 Basic considerations .................................................................................. 46
  6.5.2 Interest groups ......................................................................................... 47
  6.5.3 The mass media ......................................................................................... 50
  6.5.4 The active and passive audience ............................................................... 51
  6.5.5 Political actors .......................................................................................... 52
  6.5.6 Different publics in Liechtenstein and in Germany ................................... 56
  6.5.7 International political actors .................................................................... 57
6.6 Functions ........................................................................................................... 58
  6.6.1 Definition of issues .................................................................................. 58
  6.6.2 Synthesis of issue structures .................................................................... 63
6.7 Processes ............................................................................................................ 65
  6.7.1 Background of the tax affair .................................................................... 65
  6.7.2 Influences on the issue structure ............................................................... 66
    6.7.2.1 Interactive processes ......................................................................... 66
    6.7.2.2 Focused influence processes ............................................................. 68
    6.7.2.3 Unfocused influence processes ......................................................... 69
    6.7.2.4 Latent influences ............................................................................. 69
6.8 From social framing of issues to transnational framing of issues ............... 70
6.9 Digression: Alternate views ............................................................................. 72
7 Final conclusions .................................................................................................. 76
  7.1 Damage to image or opportunity for repositioning? ..................................... 79
  7.2 Communication between States ................................................................... 80

References ............................................................................................................... 81
List of figures

Fig. 1: Overview of number of media articles about Liechtenstein, Dec. 2007-Mar. 2008 ..... 1
Fig. 2: Media Agenda, Public Agenda and Policy Agenda .................................................. 5
Fig. 3: A social model of framing of issues ........................................................................ 11
Fig. 4: Selection process for document analysis ................................................................. 18
Fig. 5: The phases of the tax affair ..................................................................................... 20
Fig. 6: Number of total media reports from 1.1. - 1.5.2008 .............................................. 38
Fig. 7: Statistical comparison of media reporting in Phase 1 and Subsequent phase .......... 39
Fig. 8: "Transnational framing of issues" model ................................................................. 70

List of tables

Tab. 1: Media used for the document analysis ................................................................. 19
Tab. 2: Developments in the Liechtenstein financial center 2001-2008 .......................... 26
Tab. 3: Interviews 14. - 17.2.2008 .................................................................................. 30
Tab. 4: Number of media reports 14. – 17.2.2008 ......................................................... 30
Tab. 5: Press conferences 18. - 29.2.2008 ................................................................. 32
Tab. 6: Press releases 18. - 29.2.2008 .......................................................................... 32
Tab. 7: Interviews 18. - 29.2.2008, Part 1 ................................................................. 33
Tab. 8: Interviews 18. - 29.2.2008, Part 2 ..................................................................... 34
Tab. 9: Number of media reports 18. - 29.2.2008 .......................................................... 34
Tab. 10: Press conferences 1. - 31.3.2008 .................................................................... 35
Tab. 11: Press releases 1. - 31.3.2008 ........................................................................... 35
Tab. 12: Interviews 1. - 31.3.2008 ................................................................................ 35
Tab. 13: Number of media reports 1. - 31.3.2008, Part 1 ............................................... 36
Tab. 14: Number of media reports 1. - 31.3.2008, Part 2 ............................................... 36
Tab. 15: Different actors in Germany and Liechtenstein .................................................. 56
List of abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFP</td>
<td>Agence France-Presse</td>
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<tr>
<td>ANT</td>
<td>Actor Network Theory</td>
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<td>AWP</td>
<td>AG für Wirtschafts-Publikationen</td>
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<td>BamS</td>
<td>Bild am Sonntag</td>
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<td>BKA</td>
<td>German Federal Criminal Police Office</td>
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<td>BND</td>
<td>German Federal Intelligence Service</td>
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<tr>
<td>BuA</td>
<td>Report and Proposal (by the Government to Parliament)</td>
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<td>DGB</td>
<td>German Confederation of Trade Unions</td>
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<td>dpa</td>
<td>German Press Agency</td>
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<tr>
<td>dpa-AFX</td>
<td>German-language news agency for real-time financial and business news</td>
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<td>Ecofin</td>
<td>EU Economic and Financial Affairs Council</td>
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<td>EEA</td>
<td>European Economic Area</td>
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<td>ESA</td>
<td>EFTA Surveillance Authority</td>
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<td>EU</td>
<td>European Union</td>
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<td>FAS</td>
<td>Frankfurter Allgemeine Sonntagszeitung</td>
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<td>FAZ</td>
<td>Frankfurter Allgemeine Zeitung</td>
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<tr>
<td>FIU</td>
<td>Financial Intelligence Unit</td>
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<td>FT</td>
<td>Financial Times</td>
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<td>FTD</td>
<td>Financial Times Deutschland</td>
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<td>IKB</td>
<td>IKB Deutsche Industriebank AG</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>ITB</td>
<td>International Tourism Exchange in Berlin</td>
</tr>
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<td>LCL</td>
<td>Lower Control Limit</td>
</tr>
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<td>LGT</td>
<td>Liechtenstein Global Trust</td>
</tr>
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<td>LLB</td>
<td>Liechtensteinische Landesbank</td>
</tr>
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<td>LT</td>
<td>Landtag (Liechtenstein Parliament)</td>
</tr>
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<td>MAD</td>
<td>German Military Intelligence Service</td>
</tr>
<tr>
<td>NZZ</td>
<td>Neue Zürcher Zeitung</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PD</td>
<td>Public Diplomacy</td>
</tr>
<tr>
<td>SDA</td>
<td>Swiss Press Agency</td>
</tr>
<tr>
<td>SIL</td>
<td>Image Liechtenstein Foundation</td>
</tr>
<tr>
<td>SKOE</td>
<td>Government Spokesperson's Office</td>
</tr>
<tr>
<td>SZ</td>
<td>Süddeutsche Zeitung</td>
</tr>
<tr>
<td>UCL</td>
<td>Upper Control Limit</td>
</tr>
<tr>
<td>VPB</td>
<td>Verwaltungs- und Privatbank</td>
</tr>
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<td>WamS</td>
<td>Welt am Sonntag</td>
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<tr>
<td>WK</td>
<td>Economic Crime Commissariat (unit of the National Police)</td>
</tr>
<tr>
<td>$\bar{x}$</td>
<td>Arithmetic mean</td>
</tr>
</tbody>
</table>
List of appendices

Appendix 1: List of German print media, total (only on CD-ROM, no printed version)
Appendix 2: Media articles 1.1. – 31.3.2008, individual (only on CD-ROM, no printed version)
1 Introduction

When Klaus Zumwinkel, the head of Deutsche Post, was escorted out of his home by officials of the Bochum prosecutor's office on live television at 7 a.m. on 14 February 2008, no one suspected that this would be the beginning of what turned out to be probably the largest media campaign that Liechtenstein had ever experienced. Never before had there been so many requests for interviews, never before had so many media representatives been in Liechtenstein, never before had so many journalists attended a press conference of the Government and the Head of State, never before had there been so many reports on the Principality of Liechtenstein, and never before had the interest in the small country been so great.

![Fig. 1: Overview of number of media articles about Liechtenstein, Dec. 2007-Mar. 2008 (Source: SKOE)](image)

The questions that arose, especially in Liechtenstein, after the media reports subsided a bit for the first time, were: "Why did the house search take place right then? The data stolen from a Liechtenstein bank had been in the possession of the German authorities for over a year already." And "Why was the action 'played' this way in the media?" Although the "Zumwinkel affair" and the resulting German and international tax debate had an obvious political dimension, it was essentially carried out via the international media and especially the German media, not at the established bilateral political and administrative levels.

Two things were particularly unusual about the whole affair: Klaus Zumwinkel was the chairman of the board of one of the largest German companies, and the company is still majority-owned by the State.

Also striking were the vehemence and rhetoric used to discuss the tax affair in the media, the many different issues and facets that were suddenly linked and mixed up with the basic problem of tax evasion in Germany, often without distinguishing whether this was in fact a German or a Liechtenstein or a European problem, as well as the vague impression that long-

1 SKOE ... Government Spokesperson's Office
pent-up emotions were being released—emotions arising from the "poor-rich debate" long
carried out in Germany and the emotions of Government representatives of one country
directed at the system of an (almost) neighboring country.

The consistent, sometimes unusual communication measures carried out over the preceding
six years in the Principality of Liechtenstein—close cooperation with national stakeholders in
the field of external communication as part of the Image Liechtenstein Foundation public-
private partnership, creation of the Liechtenstein brand, measures in public diplomacy and
nation branding, development of suitable information materials, etc.—were helpful in the case
at hand, but had not prepared Liechtenstein for the current crisis. The perspective had been
too lopsided inside-out (from Liechtenstein out into the world) and had failed to take weak
warning signals sufficiently seriously.

This master's thesis therefore analyzes the case "Liechtenstein and the German tax affair" on
the basis of the German media reports through the lens of the two closely linked concepts of
agenda setting and issue management, in order to identify the underlying structures and
processes from a communication perspective. The author believes this analysis is a sensible
foundation on which to establish a new, comprehensive communication concept for the
Principality of Liechtenstein. Moreover, questions must be answered such as "What must an
early-warning system pay attention to in future?" and "Which different levels and publics
must be taken into account?"

More precisely, the present work thus has two objectives or areas of responsibility that it aims
to examine and clarify:
First, the analysis of what actually happened, with the help of the "social framing of issues"
model developed by Wolfgang Eichhorn within the framework of agenda setting theory; and
second, an examination of whether the Eichhorn model is applicable to communication
between States, or in other words, whether it can be expanded into a "transnational framing of
issues" model. The case of "Liechtenstein and the German tax affair" thus serves as a concrete
eexample to examine whether Eichhorn's theory (Eichhorn as a representative of the agenda
setting theory), which he applied to social issues and issue framing processes within a society
or State, is also suitable to communication between States and can also be applied to
transnational issues and issue framing processes.

In Chapter 2, the concepts of agenda setting and issue management—and accordingly also the
topic of crisis communication—will be introduced and the "social framing of issues" model
developed by Wolfgang Eichhorn will be discussed in more detail.

Chapter 3 summarizes the overarching question, the thesis underlying this paper, and the goal
of the paper. A context is provided for the thesis with a brief overview of the development of
communication between States over the course of the decades and a derivation of why
communication approaches that previously had been used exclusively in the private sector are
now increasingly being applied to States and their Governments.

Chapter 4 discusses the methodology, especially document analysis on the basis of media
reports in German news agencies and print media, which are representative of the target
groups of Liechtenstein's communication. For this purpose, the time period from 1 January to

2
13 February 2008, i.e. the six weeks prior to the "Zumwinkel affair", will first be analyzed to identify any weak signals that perhaps could have given an indication of the crisis to come. Second, the time period from 14 February to 31 March 2008 will be examined, i.e. from the beginning of the "Zumwinkel affair", which very quickly developed into a "tax affair", until the transition to a new phase of international communication by the Principality of Liechtenstein. With a brief rough description and an overview of the developments in the time preceding and following, the examined period of 1 January to 31 March 2008 will be embedded in a greater timeframe.

Chapter 5 describes the course of the tax debate based on events relevant to international policy, places these into the greater context of the issues relevant to this analysis, and also embeds them in the greater timeframe.

In Chapter 6, the debate concerning taxes, ethics and national interests carried out in the media will be interpreted on the basis of the reports in the news agencies and German print media, making use of the selected analytic categories.

Chapter 7 again summarizes the most important findings brought to light by this master's thesis and provides an outlook for the future.
2 Introduction of the categories of analysis

The German tax affair and the associated journalistic turmoil surrounding Liechtenstein harbors many interesting issues and aspects that could be investigated. It is tempting, for instance, to look at speculations about why the time the tax affair erupted was very convenient for German politicians and to illuminate the political context. An examination of the topic under the aspect of "crisis communication" would likewise be intriguing, enriching this subject with another interesting case. The analysis of the case on the basis of media reporting is meant to facilitate an objective overall view from the perspective of communication, however, in order to show the mechanisms underlying media-effective issue management and thus serving as a basis for revising the overall communication concept of the country of Liechtenstein.

In the view of the author, it appears interesting to discover which actors brought which issues into the media during this spectacle, which issues or which facets of the overarching issue of taxation were deemed interesting and prioritized by the media, how the issues developed, and who attracted media attention with which issues – in other words: who engaged in agenda setting, and how issues management worked.

2.1 Agenda-setting approach (method for selecting issues)

"What is an agenda: it is a list of issues and events that are viewed at a point in time as ranked in a hierarchy of importance." (Rogers/Dearing 1988, 565)

The agenda-setting approach is a theory of media influence, first formulated in 1972 by the two American communication researchers Maxwell E. McCombs und Donald L. Shaw in their Chapel Hill study "Agenda-Setting-Function of Mass Media". It holds that the mass media set the agenda of public opinion by giving particular emphasis to specific issues. The theoretical foundation for this was Bernard C. Cohen's thesis that the mass media hardly have an influence on what their consumers think, but have substantial influence on the issues they think about: "The press [...] may not be successful much of the time in telling people what to think, but it is stunningly successful in telling its readers what to think about." (Cohen 1963, 13). The media thus contribute substantially to the image of reality and the worldview of their audiences, which people previously had formed on the basis of primary experiences and direct personal communication.

Ray Funkhouser's study "Issues of the 60s" supplements the agenda-setting approach by the reference value "reality" and supports the essence of McCombs and Shaw's study with respect to the correlation of media agenda and public agenda. However, Funkhouser also discovered that "the news media did not give a very accurate picture of what was going on in the nation during the sixties." Reporting either ran ahead of developments or did not exhibit any relation to them." Funkhouser also showed a strong discrepancy between media and public agendas on the one hand and the actual development of society on the other (see Funkhouser 1973, 73).

The American publicist and philosopher Walter Lippmann, who first introduced aspects of agenda-setting theory in his book "Public Opinion" (1922), recognized: "For the real environment is altogether too big, too complex, and too fleeting for direct acquaintance. We are not equipped to deal with so much subtlety, so much variety, so many permutations and
combinations. And although we have to act in that environment, we have to reconstruct it on a simpler model before we can manage with it." (Lippmann 1922). Out of the glut of news and information that continuously rain in on us, the mass media accordingly filter out just a bit of it and thus place issues on our agenda – hence, the term "agenda setting". By structuring, placing and repeating selected issues, they direct the public's attention to these issues.

The influence process of agenda setting is not one-sided, however, since the media's selection of issues is in part guided by the issue priorities of its audience ("reflection hypothesis"), so that there is a continuous interplay between media offerings and individual assignment of salience. This is described in particular by the "dynamic-transactional model of the communication process" of Werner Früh and Klaus Schönbach, which attempts to bridge the agenda-setting approach and the reflection hypothesis (Früh/Schönbach 1982, 78).

Dearing und Rogers (1996, 5) expand the reciprocal relationship between media and public by the component "policy" to create the "triangle of political communication". This results in three different agenda areas: 1. Media Agenda, with media reporting as the level of reference (issue selection by journalists), 2. Public Agenda, with the population or specific population groups as the level of reference (media influence by/on the public), and 3. Policy Agenda, with the political arena as the level of reference (relationship between media and policy, influence of the public on policy) (see Fig. 2).

![Diagram](image)

**Fig. 2: Media Agenda, Public Agenda and Policy Agenda (Source: Dearing/Rogers 1996, 5)**

As is well-known and was mentioned above, the media report selectively and thus a large part of reality is not reflected in the media, so that many people regard omitted issues as unimportant or do not even learn of their existence. This phenomenon, when engaged in deliberately, is known as *agenda cutting* and is consciously used by communicators under the
motto of "keep out of the media" in the case of events that expected to be negative or damaging to reputation.

Agenda surfing refers to the following of trends or "surfing" on the wave of issues that originally were mentioned in the opinion-leading media and is also known as "intermedial agenda-setting". By following articles in the opinion-leading media, it can be predicted relatively well in many case what issues will be taken up by other media as well in the near future.

Topics may also be initiated by trigger events, i.e. by events that – in light of their sudden and unexpected occurrence – can very quickly achieve a top ranking on the media and public agenda, but also the policy agenda. The topic – or, in the case of disputed topics, also issues – thus imposes itself, so to speak.

The salience of topics and issues constitutes the core of the agenda-setting approach. Accordingly, agenda-setting research usually focuses on "examining the attention or assignment of salience to specific issues." (Eichhorn 2005, 13). For the case examined in this paper, the theoretical considerations of the two doctoral students Marc Benton and P. Jean Frazier at the University of Minnesota School of Journalism and Mass Communication (1976, 261ff) may also be interesting. By introducing the term information holding in the agenda-setting literature, Benton and Frazier expanded the concept of the agenda-setting function of the mass media and identified three different levels:

1. Awareness of the existence of a general issue or problem,
2. Awareness of the existence of special issues/problems and solutions,
3. Specific knowledge of solutions to the problem and who proposes them.

Benton und Frazier (1976, 261) rely on a paper by Palmgreen, Kline and Clarke that already two years previously saw media consumers in a much more active role than in traditional agenda-setting research, with their call for inclusion of "personal salience information" as "the perception of a causal linkage between certain aspects of a problem and an individual’s own life space" and "subjective knowledge". Benton and Frazier showed for the first time that agenda-setting effects also exist on levels 2 and 3, since the media create attention not only for a specific issue or problem, but also often convey information on potential solutions as well. Benton and Frazier only found this at levels 2 and 3 exclusively for daily newspapers, but not television (see also Eichhorn 2005, 13). Where in turn the media obtain this information is often an open question or, in the opinion of the author, could potentially be answered with the theory of Dearing/Rogers described above.

2.2 Issues management

The term issue is central to agenda-setting theory. The term predominantly refers to public concerns, but also political, social or general societal disputes (Bonfadelli 1999, 223ff). The most widespread American definition of issue encompasses both political and social problems: "current topics and civic concerns linked to the national interest" (Eyal 1985 and Shyles 1983, cited in: Eichhorn 2005, 8). According to this definition, the tax affair under investigation is in any event an issue, and also according to Eichhorn's summary, according to which the term issue in connection with agenda setting refers to an event or a group of events,
but more precisely to the underlying (public) dispute. Processes related to an event also belong to the issue. Issues always refer to societal, not private, events. Where an issue refers to individuals, the social role of these individuals is meant (Eichhorn 2005, 9). In the tax affair, many people tended to interpret the matter as artificially brought about – for whatever reasons – in light of the effective media staging of the "Zumwinkel arrest". But according to Schaufler and Signitzer, "issues [...] are neither random products nor artificial constructions. Rather, they are consequences of sensually perceived grievances and phenomena. Issues always arise when a group of persons recognizes a problem and decides to do something to solve it." (Schaufler/Signitzer 1990, 32).

The term *issues management* was coined for the first time in 1976 by the American PR consultant W. Howard Chase, who intended it to upgrade the discipline of public relations and establish it as a strategic management function. In the tradition of this approach, *issues management* emphasizes the observation of the organizational environment with respect to its opportunities and risks (see Lütgens 2002, 85f).

Only fact patterns with the potential for conflict, which develop societal relevance or at least a societal sphere of action beyond the private sphere of the individual, can become an issue (Liebl 1996, 8). Issues in the sense of issues management also exhibit a clear reference to organization, i.e. they have actual or potential effects on the organization or on the organization's current or future potential for action.

Some authors narrowly see issues as tied to existing stakeholder groups or conflict parties, such as Hallahan, who defines an issue as follows: "... a dispute between two or more parties over the allocation of resources, which might be natural, financial, political or symbolic" (Hallahan 2001, 28).

Looking at the extensive literature on the topic of issues management, it becomes apparent that three fundamental factors underlying this concept surface again and again: 1. the nature of conflict topics, 2. The nature of publics, and 3. The social responsibility of enterprises (see Schaufler/Signitzer 1990, 32).

Conflict issues may have very different evolutions and dramaturgical developments, depending on whether they are large issue fields or narrowly circumscribed and often very complex issue areas. Based on Downs' (1972) concept of *issue cycles*, Neumann (1990, 167ff, cited by Eichhorn 2005, 9) has suggested the following typology of issues:

1. Crises: Concern the vital interests of a country or its population (or of a specific group); are limited in time, and their beginning, climax and end can be delimited relatively precisely.
2. Symbolic crises: Are not limited in time; longer-lasting problems that can be elevated to crisis status for a certain time period.
3. Problems: Cannot be delimited in time; change over time with respect to their significance, sometimes dramatically. Public concern is generally high.
4. Non-problems: Likewise cannot be delimited in time; attention in the media and public varies, but never exceeds a certain low level.
Issues management in the context of crises and conflicts is the area traditionally associated with issues management and which has so far dominated the theoretical and practical understanding of issues management (see Röttger 2001, 33).

"The media like to take up such controversies, since journalists are looking for a story and hence for issues that can be followed up. This leads to development structures that interestingly also determine the leeway of participants and their expectations as well as those of the audience. The criterion of follow-up, so important for the story development, is ultimately based on expectations predetermined by dramaturgical schemes. John Jennings, former Chairman of Shell UK, emphasizes the constraints of media staging that corporate communication must face: 'It's a CNN world. And that means it's a show-me world, and not the trust-me world of the past'. (Antidote 1999, 5)." (Schulz 2001, cited in Röttger 2001, 219). Winter and Steger also point out that everything is about story, not information as many PR managers still assume. "What the media want is a good story, so rather than just providing good information, companies should try to tell the story." (Winter/Steger 1998, 245).

"In any event, a crisis is a welcome occasion to talk about conflicts and controversies that can be followed up." (Schulz 2001, cited in Röttger 2001, 219).

"Experience shows that enterprises try to avoid public conflicts – with the help of issue monitoring, crisis prevention, and background lobbying. But sometimes a 'dispute' cannot be prevented, and then they must show the ability to deal with conflict. Anyone who deals with issues management must at the same time look at capacity for public conflict." (Rolke 2001, cited in: Röttger 2001, 235ff).

"Public conflicts – which tend to be dramatized by the media as well – are constitutive of politics." (Rolke 2001, cited in: Röttger 2001, 245). And in his long-term study, Kepplinger finds: "The bulk of political communication consists of journalistic conflicts, public crises, and scandals. In all three cases, communication is addressed both to the disputants and to the media and the public. This distinguishes them from private conflicts." (Kepplinger 1998, 179). "Publicity represents a premium for politicians." (ibid. 202). But as we have already seen above, this publicity is not convenient for everyone. Only those looking for it or happening upon it fortuitously benefit from it on the surface. In any event, public conflict still represents one of the strongest news value factors (Rolke 2001, cited in: Röttger 2001, 247). "The charm of public conflict consists in the fact that change is not decreed, but rather provoked by visible challenges by third parties." (Rolke 2001, cited in: Röttger 2001, 249).

The goal is also to recognize organization-relevant topics surfacing in public as early as possible and to react accordingly, i.e. to understand and cultivate issues management as an early-warning system. This can be done by participating in the public opinion-making process or by modifying organizational policy. Relevant in this regard is the conceptualization of overcoming "strategic discontinuities" developed by H. Igor Ansoff (1976). The basic idea of Ansoff's planning conceptualization is that "strategic discontinuities" – events difficult to foresee, the occurrence of which forces the enterprise or organization to take drastic measures – may well be difficult to foresee, but still announce themselves with various "weak signals" (see p. 129). The question therefore is: how can the organization recognize "weak signals" and make sensible use of the information contained therein regarding "strategic
discontinuities'? On the other hand, these events are not rare at all and need not always constitute a threat. They may represent opportunities that present themselves suddenly and unexpectedly and whose exploitation demands quick action. Chapter 6.1 will investigate whether the time between 1 January and 13 February 2008 offered such weak signals in the media reports or not.

Issues management as a proactive opportunity for influence encompasses the measures used by an organization to bring its own issues into the public debate and to draw attention to them.

The author has chosen the communication-scientific approach of agenda setting and issue management to answer the following questions as clearly as possible, using the analysis of the concrete case, and to derive potential lessons and conclusions for the future: "How do we get our issues into the foreign media? How is agenda setting done?" This case is not the first of its kind. We recall that the CDU donations scandal from 1999 to 2001, its links to Liechtenstein, and the involvement of the German Federal Intelligence Service brought about a similar media echo with a similar loss of image and reputation.

In Liechtenstein, the impression is widespread that the country has become a victim of targeted media campaigns, and at the same time the desire is growing to understand the relevant structures and processes and to act and react more adequately in the future. On the basis of an analysis of the media reports during the critical time period, this paper will examine which issues were brought into the media at which times and by whom, and how the process of social framing of issues worked.

2.3 Crisis communication

"Crisis is a productive state. You just have to remove its smack of disaster." (Max Frisch, cited in: Walther 2003, 140)

The present paper is not about discussing internal processes in crisis communication or using communicative techniques to come to terms with the communication crisis. In light of the current status of communication science relating to crisis communication, this would primarily be a practice-oriented analysis without a recognized and well-grounded theoretical foundation. Important considerations of risk and crisis communication are meanwhile being discussed by numerous authors as issues management (see Winter/Steger 1998, Liebl 2000 and Obermeier 1999), also because public relations theory has so far not developed a theoretically grounded framework for risk and crisis communication. The focus is not on mutual understanding among conflict parties and consensus, but rather on asserting corporate or Government interests.

Issues management accordingly has crucial significance for risk and crisis communication. Two development processes can be distinguished:

a. The issue as an elementary conflict and starting point for crises (e.g. in the risk communication of Shell and Brent Spar), and

b. The issue as a consequence of a crisis event (e.g. nuclear meltdown at Chernobyl in April 1986) (e.g. Schulz 2001, cited in: Röttger 2001, 223).
Due to its anticipatory character, issues management comes close to risk communication, while crisis communication is about acute measures. The boundaries are blurred, however. Even within the context of a crisis, issues may crystallize that may additionally heat up the crisis or trigger crises. In any event, a crisis is a welcome occasion to talk about conflicts and controversies that can be followed up. This connection is not absolutely necessary, however, since issues management is actually supposed to prevent a potential crisis, e.g. an unexpected threat. What is important is that the organization concerned still has leeway during the issues management phase to react to the anticipated crisis situation. (Schulz 2001, 219)

As Max Frisch's quote at the beginning of the chapter points out, a crisis always also harbors an opportunity for advancement. In light of the considerations below, we should remember that "[...] the duality of opportunities and dangers must always be expected. Practice shows again and again, however, how close together opportunities and dangers are. Often, it is solely a question of perspective. …" (Rolke 2001, cited in: Röttger 2001, 237).

For these reasons, this paper refrains from using crisis communication as a scientific framework, even though the situation examined here by all appearances was a crisis.

The focus here is very clearly on transnational agenda setting and issue management.

2.4 The "process of social framing of issues" model developed by Eichhorn (2005)

2.4.1 Basic idea and goal of the model

This model describes the model in which
1. interest groups formulate their demands and get them into the media,
2. the resulting media contents contribute to the structuring of public opinion, and
3. the arising public opinion impacts political decision-makers (see Eichhorn 2005, 115f).

The details of the model will be discussed in more detail below.

With the help of Eichhorn's model, this master's thesis aims to analyze specifically:
- how the social framing of issues took place in the tax affair,
- which publics or actors presented their interests effectively in the media, and
- how the actual core issue of "taxes" or "tax evasion" developed in the examined media and which facets were prioritized in the media.

The overarching goal is to examine whether and which opportunities for influence an actor especially of a small country has on the transnational agenda setting of the media or whether it is simply a pawn in the hands of the media, as often assumed by the Liechtenstein side.

According to Eichhorn (2005, 116), of particular importance to the theory of social framing of issues is the classification of society into interest groups (collectives), whose members have largely identical interests, but which are distinguished from each other by more or less clear differences of interests. For the purposes of this paper and in light of the fact that the investigated case study of "Liechtenstein and the German tax affair" is an example of transnational communication, Eichhorn's model must be adjusted. His work serves as a basis and starting point for this investigation.
In a dispute within the social communication of society – and increasingly also between states – the various interests of these groups then surface in the form of issues. These issues in turn compete for attention of the public, in the media, and among political decision-makers [...] and must therefore be reduced in terms of complexity, in order to have a better chance of being asserted. This reduction of complexity [...] concerns individual issues as well as the entire issue structure. The question of which problems receive attention has an influence on the distribution of resources in society; in the case of transnational issues, in two societies and in international organizations.

Precisely this process will be analyzed using the concrete example of the tax affair. The model of social framing of issues identifies the involved actors and describes the general functions and processes (see Fig. 3).

![Diagram of Social Framing of Issues](source: Eichhorn 2005, 153)

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1. Interaction
2. Focused influence
3. Unfocused influence
4. Latent influence
5. Reporting

Fig. 3: A social model of framing of issues (Source: Eichhorn 2005, 153)
2.4.2 Three spheres

Eichhorn's model of social framing of issues distinguishes in principle among *three spheres* – mass media, passive audience, and "elite audience" – the last of which is divided into three subgroups: interest groups, political actors, and active audience. According to Eichhorn, the fact that the elite audience is subdivided, but not the two other spheres, is sufficient for the macro description of processes of social framing of issues.

Eichhorn (2005, 157) understands spheres as elements that can be observed as homogeneous units. The entities that actually act, whether physical persons or organizations represented by physical persons, are called **actors** by Eichhorn. Between these groups, there is an intensive interactive exchange, which Eichhorn calls *influence processes*. The Eichhorn model also takes account of *functions*, which are used in the sense of superordinate tasks of these three spheres, but are not specially labeled as part of the model.

2.4.3 Actors

According to Eichhorn (2005, 153), actors are the actually acting subjects. He distinguishes:

1. **Interest groups**: These include all organized groups that do not belong to the political system in a narrow sense but that represent public interests. They bundle particular interests in society and reduce diversity.

2. **The mass media**: The mass media are linked with other areas of society at an individual and organizational level. Their main functions are to provide information and social orientation. From the perceived reality, the journalist actively constructs a media reality which is codetermined by a multitude of individual and systemic factors. Media reality is a collective product that is determined by the participating individuals, organizations and their interactions as well as interaction with the environment.

3. **The active audience**: Does not constitute a "group" in the group-sociological sense. Membership is defined by active participation in public opinion processes. In contrast to political actors or interest groups, the active audience cannot be subdivided into relatively homogeneous, organized units.

4. **The passive audience**: Is the largest part of the audience, which usually remains politically passive and appears in statistics as bearers of the "public opinion".

5. **Political actors**: Are representatives of the executive and legislative branches and are supposed to realize social goals and ideals. The determination of political priorities is influenced by the public opinion, and political actors in turn influence public opinion.

2.4.4 Processes

Eichhorn (2005, 155) understands processes as influence-taking among actors. In this model, four fundamental types of process are distinguished, which attempt to show the paths of influence among the individual actors. The fifth type of process, media reporting, is of special importance and is discussed in this chapter under the heading "The special role of the mass media". The term "influence" is always used in the sense of "influence on the issue structure".
a. **Interactive processes** take place among actors that have social legitimation for their actions as well as economic and social power.

b. **Focused influence processes** are intentional actions addressed not to individual actors, but rather to institutions. These include PR activities, but also informal attempts at influence. Such processes emanate from groups that are organized to a high degree.

c. **Unfocused influence processes** are addressed to a mass audience or sub-audience. These include the publications of the mass media, but also media events. The publicity of these actions distinguishes them from focused processes.

d. **Latent influence** emanates from the audience as a whole. The "author" of this influence does not act in a purposeful manner, is not organized, and has no media at its disposal for conveying the influence.

The influence of a passive audience is essentially latent. The reason for this is the low degree of organization and the low level of participation with respect to public problems. Nevertheless, the model provides for weak interactive processes between the passive audience and the other elements of the model, since even sporadic interactions between the passive audience and the other groups are not entirely without impact.

**The special role of the mass media**

The mass media play a central role in the model. Their essential task is reporting, the goal-oriented media reconstruction of the social environment. In this way, the mass media put together the symbolic material (the "media reality") that serves as a carrier for most of the processes of framing of issues. The activity here emanates from the mass media, while they are at the same time influenced by the results of their activities. "The power of the mass media consists more in their structuring of reality, by defining a world for us, than in their short-term persuasive impact." (Schenk 2002, 400).

Beyond this, the mass media open up influence opportunities for groups that have trouble asserting their interests among the elite public. Influence on the media agenda by these groups has an impact on the framing of issues among the public, with a feedback effect on the agendas of the elite public.

The mass media ensure a shared information basis which includes the passive audience as well as the elite public.

Finally, the mass media have the possibility of actively reporting on areas of social reality. This means they are legitimized by their public information function to research and report on problems of public life. The audience of the media influences the issue structure of the media by way of a latent influence process. Other impacts on the media from the realm of the elite public are based on interactive processes or encompass organized attempts at influence.

For the area of the media, it may make sense to perform a division according to different target groups. Accordingly, news agencies or "primary media" decidedly target other media.
The "secondary media" can be divided into *elite media* and *popular media*. The former primarily address the elite public. There are also specialized media that only address specific sub-audiences.

*Intermediary agenda-setting processes* take place among all media. The members of the elite public use elite media not only for information purposes, but also to exert influence on the media agenda. Influences by popular media on elite media can also not be ruled out. Even the selection of issues by the news agency is influenced by which issues its "audience" – the popular and elite media – are interested in.

The passive audience does not constitute a uniform, unstructured mass. Here again, the level of "chance encounters" is important, which the processes of framing of issues can act on without drawing the attention of the mass media.

Overall, a very large number of different development lines emerges, depending on the interaction patterns among the various public actors. Adequate explanation attempts for social agenda-setting processes must therefore take account of these manifold interaction possibilities (see Eichhorn 2005, 153ff).

### 2.4.5 Functions

In this model, functions refer to the overarching tasks of the three spheres. The functions encompass the definition of individual issues (for details on issues and issues management, see Chapter 2.2), and they also encompass the synthesis of issue structures. The participants in the framing-of-issues process are all also involved in the definition of issues, which is subject to continuous change. While these definition processes concern individual issues, the process of synthesis affects the entire issue structure.

An important subprocess in this regard is the determination of priorities. The "significance" of an issue is determined by how detailed the public's consideration of the issue is. This includes the attention of the mass media, the extent of mobilization of the politically active population groups, resonance among the broad public, and the linking of issues with powerful political and economic areas. The process of synthesis also includes the linking of individual issues to larger structures which may form an identification basis for social groups.

Events and issues can only really be interpreted, however, by means of *framing*, i.e. the embedding of issues and events in a larger framework that allows the recipient to classify the individual events or new events accordingly.
3 Overarching question – Thesis – Objective

Overarching question
An analysis of reporting on the issue in the German media is intended to answer the overarching question: Can the case study of the "German tax affair and Liechtenstein" be analyzed with the help of the "processes of social framing of issues" model, and can Eichhorn's "process of social framing of issues" model be transferred to transnational communication, i.e. to global or transnational framing of issues?

Is this model – which the author suspects at the outset may, with certain modifications, be applicable – a suitable analytical matrix to decode the tax affair examined by this paper during the investigated time period? Can this model be used to identify the underlying communication processes, the actors, and the various flows of influence? Are issues management and agenda setting as described in the literature and applied in practice also applicable to States? What conclusions can be drawn for Liechtenstein? What should an early-warning system for Liechtenstein pay attention to in the future?

Thesis
In the emerging world society, conflicts between States like the tax debate examined in the present paper will increase. Their treatment will require an ever greater role of professional communication by Government offices in the sense of agenda setting and issues management. Interstate, transnational communication via the media is increasingly becoming "communication within a system", in light of the advancing globalization as well as the "growing together of nations" in Europe within the framework of the European Economic Area, so that increasingly the same rules as for enterprises will apply.

This thesis is rooted in the personal professional experience of the author as well as observations in this field. During her 15 years of work as a professional diplomat for the Austrian Ministry for Foreign Affairs (1986 – 2001), the author was able to follow the changes in the job description of a diplomat. Because of the rapid development of mass media, the World Wide Web, and Internet technologies over the past approximately 15 years, not only the media world but also the work of diplomats, the diplomatic profession, and communication among States and international organizations have changed profoundly. A striking example of this is the tax debate taking place between the European Union (EU) and Switzerland, in which the diplomatic representatives of the EU use skilled communication in the Swiss media to represent and influence the interests of the EU vis-à-vis actors in Switzerland.

In this context, models developed within the framework of agenda setting – even if they have been created with a view to relationships within a society or within a State, such as the "process of social framing of issues" model developed by Eichhorn – can also be applied to transnational communication. The author suspects at the outset that this is indeed the case – perhaps with certain adjustments to the model relating to the designation of actors – and will examine this hypothesis using the example of the "German tax affair and Liechtenstein".
Objective of the paper

The objective of the paper can be summarized in three points:

1. Analysis of a case study of the internationally oriented communication of the Liechtenstein Government on the main issues of the business location, with the help of theoretical approaches in the field of agenda setting and issue management;
2. Establishment of an analytic basis for further communication considerations for Liechtenstein;
3. Answering of the question whether and, if so, how and with which modifications the social framing-of-issues model developed by Eichhorn can be applied to communication between States, i.e. also between two systems.

Digression: Communication among States

The present case appears at first glance to be a "communicative dispute between peoples"; communication by, for, and between States; and a public contest.

Classic communication between States is traditional diplomacy, the purpose or art of which is to solve international difficulties in a peaceful way. Its main task can be described as "management of international relations through negotiations" or, if the emphasis is on the acting individuals, the "maintenance of relations between sovereign States by accredited representatives".

Public diplomacy (PD), in contrast, encompasses all communication measures – both direct and indirect – between a Government and the public of another country. It thus supplements classic diplomacy by the public component. The goal of public diplomacy is to generate understanding abroad for the ideals, culture, and policies of a nation: "Public diplomacy is a Government's process of communicating with foreign publics in an attempt to bring about understanding for its nation's ideas and ideals, its institutions and cultures, as well as its national goals and current policies." (Tuch 1990, 3). Not only public officials work on improving the image of their own country in the perception of other countries, however, but rather also international corporations, civil society organizations, cultural institutions, and citizens travelling abroad.

The boundaries between the individual "disciplines" are blurry, however. Signitzer, for instance, divides PD into a hard school, which he understands to be political information, and a soft school, which he describes as cultural communication (see Signitzer 1990, 199). What should not be neglected is the relatively new discipline of nation branding, the marketing of a country like a product, since countries are increasingly competing with each other like globally acting companies. This view is also support by the observation of Olins, who says that countries and companies are becoming "more and more similar" (Olins 2000, 254).

The goal both of public diplomacy and of nation branding is, in any event, the improvement of the image of one's own country in the perception of other countries.

PD was "invented" and shaped by the United States in the 1960s. Historically speaking, however, public diplomacy is not a new phenomenon, since especially in times of war Governments have always tried to influence public opinion abroad. It constitutes a mixture of foreign propaganda, political marketing, and cultural diplomacy.
The increasing importance and meanwhile omnipotence of the international media, the emergence of more and more pressing transnational problems that cannot be solved on one's own, and the increasing significance of "soft power" as an instrument to achieve foreign policy goals are enhancing the importance of public diplomacy.

At this same time, this also increases the importance of the media communication capacity and work of diplomats (see also Chapter 7.3) and interest groups. The information revolution at the end of the 20th century makes it possible for anyone to receive information on events in other countries just as quickly or even more quickly than Governments. The international media are becoming increasingly assertive, and it is therefore not surprising that the information available to a huge audience has made public opinion an increasingly important factor in international relations. Naturally, diplomats in the past already paid attention to normal citizens in their receiving countries and tried to influence their opinion in a positive way. But the democratization of access to information has made these "normal citizens" not only independent observers, but also active participants in international politics. PD thus has another strong form of leverage in the more or less strongly organized interest groups and especially in the active audience. Globalization and the communication revolution together have strengthened global networks across national borders and given rise to a much more active civil society.

The case "Liechtenstein and the German tax affair", however, intends to use media reporting in the critical time period to show how national and political interests were asserted through issues management and agenda setting via the international and especially German media. While this was a political debate, it was primarily conducted via the media.

4 Methodology

This master's thesis is based on an overview and document analysis of the reporting in the German media, primarily news agencies and print media, on the case "Liechtenstein and the German tax affairs", which was triggered by the "Zumwinkel case" on 14 February 2008. On the basis of clippings in the time period from 1 January to 31 March 2008, a media resonance analysis was performed. The media resonance analysis is an instrument for assessing PR work in which media reports are evaluated qualitatively and quantitatively. Print media are given priority here, since they have a more sustained effect than television, which may have an intense impact for a short period, but does not have as sustained traction in the minds of media consumers (see Kepplinger 1998).

Since the starting point of the crisis was in Germany and since Germany had in preceding years enjoyed the number 1 priority in the communication work of the Principality of Liechtenstein – both on the part of the Government and also on the part of various business associations and culture – it made sense to focus primarily, albeit not exclusively, on reporting in the German media.
The two Liechtenstein daily newspapers *Liechtensteiner Vaterland* and *Liechtensteiner Volksblatt* with circulations of 10,000 and 8,000 are the official party newspapers of the large political parties represented in Parliament (although they are becoming increasingly independent) and are hardly read outside the country's borders. Günter Meier, editor-in-chief of the *Liechtensteiner Volksblatt* from 1984 to 1999, states it succinctly: "[...] because the two newspapers are simply party papers. [...] For the reader it becomes immediately clear: this is where the opinion of the party is represented. If you want to know what's really going on, you just read both newspapers." (in: Marxer 2004, 289). "The two daily newspapers continue to be dependent on two parties that hardly differ ideologically." (Marxer 2004, 300). They were therefore not relevant to the subject matter under investigation.

Figure 4 provides an overview of the selection process for the print media used in the document analysis.

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Table 1 below contains the 67 German print media that reported on "Liechtenstein and the German tax affair". The 18 media in italics are those cited in this master's thesis.

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<thead>
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<tr>
<td>Abendzeitung</td>
<td>21</td>
<td>Focus</td>
<td>16</td>
<td>Prisma West</td>
<td>2</td>
</tr>
<tr>
<td>ARD Online</td>
<td>17</td>
<td>Focus Money</td>
<td>6</td>
<td>Rheinische Post D Düsseldorf</td>
<td>28</td>
</tr>
<tr>
<td>B.Z.</td>
<td>9</td>
<td>Frankfurter Allgemeine Sonntagszeitung</td>
<td>6</td>
<td>Rheinischer Merkur Christ und Welt</td>
<td>8</td>
</tr>
<tr>
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<td>Frankfurter Allgemeine Zeitung</td>
<td>59</td>
<td>RTL</td>
<td>8</td>
</tr>
<tr>
<td>Badische Zeitung / Ausgabe Lörrach</td>
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<td>Frankfurter Rundschan Ausgabe D</td>
<td>38</td>
<td>Sächsische Zeitung</td>
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</tr>
<tr>
<td>Badische Zeitung</td>
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<td>Hamburger Abendblatt</td>
<td>20</td>
<td>Sächsische Zeitung</td>
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</table>
The analysis period is from 1 January 2008 to 31 March 2008. 14 January 2008 constitutes a turning point. The time period prior to 14 February was chosen to find out whether there were already "weak signals" (see Ansoff 1976) in media reporting before the crisis that would have prepared the actors for the tax affair if they had been taken seriously enough. The time period of March 2008 was included in order to see whether media reporting after the crisis dropped back to the previous level, i.e. as if nothing had happened, or whether the topics of issues brought up and followed during the crisis had a sustained effect with "follow-up topics" (see Eichhorn 2005, 122).

The following figure shows different phases with which the tax affair is described and interpreted as well as their framing within the period from November 1999 with a preceding phase until June 2008 with a subsequent phase.
From the beginning, it was interesting to observe how the topic of "tax affair" or "Kieber case" and subsequently the various facets of the large topics "taxes, morality and national interests" developed in the media reports.

With the help of a concept drawn as broadly as possible from the fields of issues management and agenda setting, the author set out to discover how issues were placed, followed and dealt with by whom, and how, by whom or via whom issues can be brought into the media effectively and sustainably on behalf of Liechtenstein.

In the course of her literature research on the topic areas of issue management and agenda setting, the author repeatedly came across the model of a social framing-of-issues process developed by Wolfgang Eichhorn (1996 and 2005). According to www.google-scholar.com, his model is cited a total of 64 times in the literature. The model appears especially suitable since it represents a comprehensive approach to framing of issues and describes the influence processes among the actors. It therefore attempts to dissect the complexity across a broad base and make it understandable.
5 Description of the "tax affair" in the period from 1 January 2008 to 31 March 2008 and its framing within the period of November 1999 to June 2008

5.1 Preceding phase "Time of reforms" (November 1999 – December 2007)

5.1.1 New structures and framework conditions for the financial center

Liechtenstein yet again

The Zumwinkel case and the events surrounding 14 February immediately invoked memories in Liechtenstein of the CD of Liechtenstein trustee Herbert Batliner and the subsequent accusations made against the Liechtenstein financial center, culminating in the publication of an – in part factually inaccurate – report of the German Federal Intelligence Service (BND) in the German news magazine SPIEGEL in November 1999 (issue 45/1999 of 8.11.1999, 202) and the inclusion of Liechtenstein on the OECD list of non-cooperative countries in the fight against money laundering and organized crime in 2000. Not only in Liechtenstein did memories surface, however, but also in Germany: Already on the day after the search of the home of postal chief Klaus Zumwinkel, Financial Times Deutschland printed the headline: "Liechtenstein yet again" (FTD, 15.2.2008, 3).

DIE WELT on 16.2.2008 (p. 2) recalled that affair in considerable detail. In 1997, Batliner's data had initially been obtained by the German news magazine SPIEGEL and subsequently by the Bochum public prosecutor. As in the current case, the BND had been involved. The present paper wants to frame the examined case within the greater time period since November 1999, in order to make the context more readily understandable. The years between the Batliner case, which is inseparably linked to the German CDU donations scandal, and the examined case of the German tax affair and Liechtenstein are therefore appropriate as a timeframe. Two fields have advanced considerably in Liechtenstein in those years and brought about associated changes in the financial center: various structural changes, on the one hand the legal framework and implementation thereof in the financial center, and on the other hand developments in external communication.

Some accusations against Liechtenstein were justified, such as the fact that Liechtenstein did not answer foreign requests for mutual legal assistance (because the competent judge was completely overwhelmed) and the lacking implementing of anti-money-laundering laws. The image crisis already entailed certain financial losses and decline in business for the Liechtenstein financial services center, quite apart from the associated damage to reputation.

In terms of content, these accusations were countered with tightened legislation, massive increases in human and financial resources at the courts and the Office of the Public Prosecutor, and the creation of an Economic Crimes Police and a Financial Intelligence Unit (FIU, reporting office for suspicions of money laundering). With the total revision of the Mutual Legal Assistance Act in 2000, the deficit relating to timely provision of mutual legal assistance was remedied.
Another significant problem was the fact that the Principality of Liechtenstein had no lobby, and in particular no communication department, which would have communicated these drastic measures by the State to foreign media and other stakeholders and that would have taken care of reputation management. On the contrary, the motto was "no news is good news", in order to pursue one's business without interference from the outside world.

In September 2001, the Government Spokesperson's Office (Stabsstelle für Kommunikation und Öffentlichkeitsarbeit, SKOE) was established in order to accompany the reform process with communication efforts, also internationally, and to take long-term measures to improve the image of the Principality of Liechtenstein in the world (see Chapter 5.1.2).

**Liechtenstein as a member of the European single market**

With Liechtenstein's accession to the European Economic Area (EEA) in 1995, Liechtenstein was required to implement all relevant EU directives in the same way as member States of the European Union (EU). Liechtenstein thus has exactly the same standards as the EU countries. However, this fact has frequently been overlooked in recent months in the wake of the emotionally debated tax affair. The Agreement on the European Economic Area (EEA Agreement) is based on:

- the primary legislation of the European Union, which has developed over the course of the past forty years (= prohibition of discrimination, four freedoms, common competition rules, and flanking and horizontal policies), and
- the secondary legislation based thereon, i.e. the *acquis communautaire* (EU enactments with EEA relevance continuously adopted by the EU institutions).

Accordingly, the EEA acquis is identical with the EU acquis in the areas covered by the treaty. Liechtenstein is therefore – like the EU States – required to implement the EU directives into national law and apply them. By 1 February 2008, a total of 5,156 EU enactments had been incorporated into the EEA Agreement. Liechtenstein's implementation rate is currently 99.2% (as of June 2008). Liechtenstein's implementation and application of EEA law is monitored by the EFTA Surveillance Authority (ESA) in Brussels. For EU States, this monitoring is the responsibility of the EU Commission.

The EEA acquis is therefore also identical to that of the EU States in the areas of banking, insurance, and money laundering.

Since Liechtenstein's accession to the EEA in 1995, which opened up market access to other countries, the number of banks has grown fivefold (from 3 to currently 15). New fields in funds and insurances also opened up. The financial center generates 30% of GDP, less than most would expect. Only 15% of all people working in Liechtenstein are employed in this sector.
**Customs and Currency Union with Switzerland**

Moreover, Liechtenstein has participated in an excellently functioning Customs and Currency Union with Switzerland since 1924. This makes Liechtenstein unique in Europe. The Liechtenstein currency is the Swiss franc. The Swiss National Bank is also responsible for Liechtenstein.

**Extensive and sustainable reform process**

After the Bâtineraffair, however, and after the terrorist attacks against New York and Washington on 11 September 2001 that changed the world, Liechtenstein was elevated within a very short period of time to an internationally recognized standard with respect to supervision, due diligence, and suppression of terrorism. A reform process was initiated which has adjusted the financial center to the changed global circumstances and which continues today. Moreover, Liechtenstein began engaging in active and systematic communication, for the first time beyond the region, about the country, its business location, and its industrial, financial and tourism center. Since Liechtenstein, in light of its size, had always been forced to open up sales markets and adjust to changing global circumstances, Liechtenstein was and is deliberately committed to following a second track: By creating the appropriate legal prerequisites, the financial industry is given the opportunity to make greater use of opportunities in an integrated Europe, such as the EU passport for investment companies and as a location for pension insurance. A third track is the further development of the financial center by means of the FUTURO project, in order to sustain the profitability of the financial center for the long term. Ironically, this project – which had been prepared meticulously over the course of a year – was presented to the public on 14 February 2008, the same day the arrest of Klaus Zumwinkel triggered the tax affair. The announcement was completely drowned out by the events.

In comparison with larger countries, a small State like Liechtenstein has significantly weaker means at its disposal to assert its interests and, as such, attracts less public attention in the world. In light of its limited resources, the small State must internally always act flexibly and focus on what is essential. It is obvious that this flexibility exists to a higher degree in a small State than in a larger country.

Globalization – which is in essence nothing other than worldwide networking in economic and communication terms – represents an opportunity especially for a small State, since it networks the financial center and industry worldwide. 98% of the products manufactured in the country are exported. Liechtenstein's industry is internationally competitive and has always had to assert itself in an international environment. Many Liechtenstein companies are world market leaders in their niches. This is all the more astonishing in that Liechtenstein companies enjoy no State export promotion or other subsidies.

**The reform steps within the European framework**

Implementation of the *First and Second Money Laundering Directives* (1991 and 2001) on the prevention of the use of the financial system for the purpose of money laundering was
accomplished in Liechtenstein through extensive changes to the national legal foundations (see Tab. 2 below).

Implementation of the Third Money Laundering Directive (2005) on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing has advanced substantially and is expected to be adopted by Parliament in autumn 2008.

The EU Savings Tax Agreement signed by Prime Minister Otmar Hasler on 7 December 2004 and which entered into force on 1 July 2005 governs four areas, namely the taxation of cross-border interest payments by way of a withholding tax, voluntary information exchange, information exchange upon request, and a review mechanism for adjusting the agreement. Under the agreement, natural persons from the EU area have been subject to a withholding tax on capital income since 1 July 2005, which amounts to 15% in the first three years, will be raised to 20% for the following three years, and afterwards will amount to 35%. Beneficiaries have the option of disclosing their interest income voluntarily, in which case the withholding tax is waived.

Association with Schengen and Dublin enhances and deepens Liechtenstein's integration in Europe in the areas of justice, home affairs, and asylum. The Schengen Agreement, which Prime Minister Hasler signed on 28 February 2008 in Brussels and which was approved and ratified by Parliament on 27 June, also encompasses provisions on mutual legal assistance in criminal matters. Application of these provisions entails that Liechtenstein grants mutual legal assistance in cases of tax fraud and in some cases of evasion of indirect taxes. Mutual legal assistance is also granted if the request concerns execution of coercive measures (e.g. searches of business premises, seizure of bank records and other documents, questioning of witnesses such as bank employees, etc.).

The negotiations with the EU Commission since 2006 on the EU Anti-Fraud Agreement concern future cooperation in the case of both direct and indirect taxation and were concluded in terms of substance on 27 June 2008.

Bank client confidentiality, which is often discussed, is and will continue to be an important aspect of Liechtenstein's understanding of the legitimate private sphere of every individual citizen. However, it does not offer protection from criminal prosecution of criminal acts. Schengen expands mutual legal assistance in criminal matters in the cases of tax fraud and in some cases of evasion of indirect taxes. Schengen also simplifies the relevant procedures. For instance, law enforcement authorities may now transmit requests for mutual legal assistance directly instead of via the justice ministries, and court documents may now be served directly by mail. Simplified extradition is also available if the affected person consents.
Further development of the financial center beyond the EEA

In 2003, a Mutual Legal Assistance Treaty (MLAT) with the United States and a Counterterrorism Package were adopted.

On 1 January 2005, the independent and integrated Financial Market Authority (FMA) took up its work. This countered the accusation that Liechtenstein lacked sufficient independent supervision of its financial center.

Since July 2007, value added tax fraud (and thus missing trader fraud) as well as serious customs offenses and smuggling have been subject to mutual legal assistance.

On 21 March 2008, the Palermo Convention (UN Convention against Transnational Organized Crime) entered into force for Liechtenstein. This is a further important step by Liechtenstein to strengthen international cooperation in fighting crime.

Liechtenstein, along with Andorra and Monaco, is still included on the OECD list of uncooperative tax havens. Since the beginning of the process during which the OECD called upon non-member States of the OECD to meet the OECD standards, Liechtenstein took the position that it is willing to cooperate under the condition that all other States do the same ("level playing field"). The large majority of States that likewise used to be on the list and were removed by signing "commitment letters" are not implementing their obligations, however.

5.1.2 Overview of the developments in the Liechtenstein financial center from 1999 – 2008

The following overview summarizes the developments in the Liechtenstein financial center – with respect to legal framework, structural changes, process adjustments, and communication – from 2001 to mid-2008.

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>Autumn</td>
<td>Batliner / CDU donations scandal</td>
</tr>
<tr>
<td></td>
<td>Nov</td>
<td>SPIEGEL article on BND report, which is in part inaccurate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Liechtenstein is severely criticized in the media</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Extensive reforms in the financial center (since the mid-1990s) are implemented with vigor and great speed</td>
</tr>
<tr>
<td>2000</td>
<td>Sep</td>
<td>Total revision of the Mutual Legal Assistance Act</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Initiated reforms are rapidly implemented</td>
</tr>
<tr>
<td>2001</td>
<td>Mar</td>
<td>Establishment of the Financial Intelligence Unit (FIU)</td>
</tr>
<tr>
<td></td>
<td>Jun</td>
<td>Liechtenstein is removed from the OECD list of non-cooperative countries in the fight against money laundering and organized crime; subject to the condition that the &quot;know your customer&quot; (KYC) rule is introduced by all financial service providers by the end of 2001.</td>
</tr>
<tr>
<td></td>
<td>Sep</td>
<td>Establishment of the Government Spokesperson's Office (SKOE)</td>
</tr>
<tr>
<td>11.9.</td>
<td></td>
<td>Terrorist attacks in New York and Washington</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A new era begins</td>
</tr>
<tr>
<td></td>
<td>Dec</td>
<td>&quot;Know your customer rule&quot; report: KYC introduced 100%</td>
</tr>
<tr>
<td></td>
<td>Jan</td>
<td>Due Diligence Act and Ordinance</td>
</tr>
<tr>
<td></td>
<td>May</td>
<td>Establishment of the Image Liechtenstein Foundation (SIL), a public-private partnership to promote Liechtenstein's image abroad; affiliated with SKOE</td>
</tr>
<tr>
<td></td>
<td>Dec</td>
<td>Signature of the UN Convention against Corruption (ratification in preparation as of July 2008)</td>
</tr>
<tr>
<td>2003</td>
<td>May</td>
<td>Presentation of the SIL Communication Concept for the State of Liechtenstein</td>
</tr>
</tbody>
</table>
|       | Jul   | Signature of Mutual Legal Assistance Treaty with the United States and adoption of the Counterterrorism
<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>Jun</td>
<td>Total revision of the Due Diligence Act</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial Market Authority Act</td>
</tr>
<tr>
<td></td>
<td>Jul</td>
<td>Introduction of the Liechtenstein brand – nation branding</td>
</tr>
<tr>
<td></td>
<td>Aug</td>
<td>Transfer of power to H.S.H. Hereditary Prince Alois von und zu Liechtenstein</td>
</tr>
<tr>
<td>2005</td>
<td>Jan</td>
<td>Financial Market Authority begins its work</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Due Diligence Ordinance and implementation of the 2nd EU Money Laundering Directive</td>
</tr>
<tr>
<td></td>
<td>Jul</td>
<td>Entry into force of the EU Savings Tax Directive</td>
</tr>
<tr>
<td></td>
<td>Sep</td>
<td>Presentation of the SIL Communication Concept II for the State of Liechtenstein</td>
</tr>
<tr>
<td></td>
<td>Nov</td>
<td>Revision of the Law on Professional Due Diligence in Financial Transactions (Due Diligence Act)</td>
</tr>
<tr>
<td>2006</td>
<td>Jul</td>
<td>200 Years of Sovereignty of the Principality of Liechtenstein</td>
</tr>
<tr>
<td>2007</td>
<td>Feb</td>
<td>Adoption of the Tax Road Map by the Government (guidelines and basic ideas for a reform of Liechtenstein tax law)</td>
</tr>
<tr>
<td></td>
<td>Jun</td>
<td>Value added tax fraud (and thus missing trader fraud) as well as serious customs offenses and smuggling are subject to mutual legal assistance</td>
</tr>
<tr>
<td>2008</td>
<td>Mar</td>
<td>Entry into force of the UN Convention against Transnational Organized Crime (Palermo Convention): international cooperation in the fight against crime</td>
</tr>
<tr>
<td></td>
<td>Jun</td>
<td>Reform of foundation law decided by Parliament</td>
</tr>
<tr>
<td></td>
<td>Jun</td>
<td>Negotiations on conclusion of an Anti-Fraud Agreement with the EU are largely concluded</td>
</tr>
<tr>
<td></td>
<td>Jun</td>
<td>Negotiations on Tax Information Exchange Agreement (TIEA) with the United States are constructive</td>
</tr>
</tbody>
</table>

Tab. 2: Developments in the Liechtenstein financial center 2001-2008 (Source: own compilation)

5.1.3 New paths in communication

Against the backdrop of the massive image crisis of the Principality of Liechtenstein at the end of the 1990s – CDU donations scandal, money laundering accusations, the partially inaccurate BND report on Liechtenstein published in SPIEGEL in November 1999 – Liechtenstein began pursuing new paths in communication. In September 2001, the Government Spokesperson's Office (SKOE) was created, which in turn initiated the establishment of the public-private partnership Image Liechtenstein Foundation (SIL).

SIL was established on 26 March 2002 with the following purpose:

"The purpose of the foundation is to carry out and promote all measures serving to improve and strengthen Liechtenstein's image and reputation at home and abroad. The foundation may engage in all necessary legal transactions and activities to achieve its public service." (Image Liechtenstein Foundation 2002, article 4)

The Image Liechtenstein Foundation, a public-private partnership in accordance with article 10 of its bylaws, is an active communication platform which coordinates integrated communication for the country of Liechtenstein under the direction of the State and to carry out such communication itself. Liechtenstein is thus positioning itself not only via its six core messages (see below), but also through its form of integrated external communication.

"The foundation board consists of the chairman and eight members..." (Image Liechtenstein Foundation 2002, article 10)

The chairman is always the incumbent prime minister. Four of the (additional) eight members are representatives of the State, more precisely officials in the areas of foreign policy, communication, culture, and economic policy. The four remaining members are the presidents of the Liechtenstein Chamber of Commerce and Industry (LCCI), the Liechtenstein Bankers...
Association (LBA), the Liechtenstein Association of Professional Trustees (THV), and Liechtenstein Tourism. The public-private partnership SIL is thus clearly under the leadership of the State, but with equal numerical participation of representatives of private organizations on the foundation board. This foundation board sets out the vision, mission, and strategy of the foundation, which is to be implemented by the secretariat, which has the equivalent of 1.2 full-time positions.

The SIL has been working under Communication Concepts I (May 2003) and II (September 2005), which it prepared. As part of implementation of these concepts, the Liechtenstein brand was introduced as a type of nation branding, in order to communicate the six core messages in a visually uniform manner as well:

The following five core messages standing for Liechtenstein constitute the basis of the Liechtenstein brand:

- internationally networked small State open to the world (the heart symbolizes dialogue among people and nations),
- successful financial center (the circle represents a coin),
- highly developed industrial location (the rectangle stands for precision work),
- diverse cultural life (the house as a symbol for customs, tradition, history, and culture),
- hospitable vacation and recreation country (the flower stands for nature and is composed of hearts – the symbol of dialogue).

The five symbols are joined together into the brand's depiction of a crown, representing the monarchic system of state and Liechtenstein's entrepreneurial Princely House.

Together, the symbols stand for the identity and diversity of the country of Liechtenstein, united under the Liechtenstein brand.

The introduction of the Liechtenstein brand in July 2004, almost at the same time as the transfer of power within the Princely House – Reigning Prince Hans-Adam II transferred State business to his son Hereditary Prince Alois on 15 August 2004 – met with great media

interest and interest among other European States looking for new forms of communication for States, such as Norway, the Netherlands, Croatia, and Switzerland.

The new vision for SIL and the communication work for the country of Liechtenstein developed by SIL at a workshop on 16 November 2006 can be summarized as follows:

"The image of Liechtenstein in the designated targeted markets should be positive in principle. Beyond this, however, the image should also be made clearer, i.e., the cliché views of Liechtenstein should be replaced by concrete knowledge about our country." (Image Liechtenstein Foundation 2006)

5.2 Phase 1 "The reform process continues steadily" (1.1. - 13.2.2008)

5.2.1 Contents

In January and the beginning of February 2008, work continued to be intensively underway on the reform process and implementation of planned legislative reforms concerning the business location, as in the previous years: fine-tuning of the reform of foundation law, work on the tax reform, negotiations on the Schengen/Dublin association agreement and the EU Anti-Fraud Agreement, preparations for the public presentation of the FUTURO project on 14 February, implementation of the 3rd Money Laundering Directive, negotiations with the United States on a Tax Information Exchange Agreement, final preparations for the opening of the new Parliament Building on 15 February 2008, and much more.

In their New Year's interviews, all political decision-makers expressed their optimism for the coming years.Visions and strategies for the Liechtenstein financial center, the integration of foreign residents in Liechtenstein, and the disentanglement of church and State were the most important topics addressed by Reigning Prince Hans-Adam II and Hereditary Prince Alois, Prime Minister Otmar Hasler, and Deputy Prime Minister Klaus Tschütscher in their thoughts for the New Year.

At the end of January, the Government introduced a "Barometer for the Future" study, which illuminated the concerns of the Liechtenstein population. The three most important concerns of the Liechtenstein population were transportation, integration of foreigners, and unemployment. The authors of the study concluded that Liechtenstein, as a sovereign small and landlocked State in the middle of EU territory, is confronted with similar problems as Switzerland. Prime Minister Hasler made the following summary: "Small size is an advantage in that we have fast decision-making processes, short official channels, and can react flexibly to changes. It is a disadvantage when we want to assert our ideas on the international stage. This is when it becomes apparent that large countries simply have more weight to throw around in discussions." (Press conference on 30 January 2008 in Vaduz). How true that was, was seen shortly thereafter.

5.2.2 Communication

In the first weeks of 2008, the existing communication measures were by and large continued. The new Liechtenstein ambassador in Berlin since August 2007, Prince Stefan von und zu
Liechtenstein, had begun visiting the editorial offices of the supraregional German media relatively quickly and was consistently continuing these visits the beginning of 2008.

SIL planned a strongly visible presence in 2008 with a Liechtenstein pavilion at the two EURO 08 venues of Vienna and Basel.

Liechtenstein Tourism planned to participate in the world's largest tourism fair ITB in Berlin for the first time in March 2008.

Communication of topics concerning the Liechtenstein business location was to continue in the same way on an ongoing basis, including talks with foreign correspondents in Zurich and invitations of journalists to Liechtenstein to convey a realistic picture of the country. As always, however, it was difficult to bring media representatives to Liechtenstein without a special occasion. This was to change to an unforeseen extent in the near future.

5.3 Phase 2 "The Zumwinkel affair" (14.2. – 17.2.2008)

5.3.1 Overview of events

The head of Deutsche Post, Klaus Zumwinkel, is arrested at his house on 14 February 2008 at 7 a.m. on live television by officers of the Bochum public prosecutor's office. Officers search the house for tax documents. The German media immediately report on the arrest. It is announced that the Bochum public prosecutor's office has a CD-ROM in its possession with data of German clients of a Liechtenstein bank. Zumwinkel is the first prominent "victim".

In the late morning of 14 February, the FUTURO project, which was developed over 12 months of work, is publically presented in Vaduz. The FUTURO project defines the future strategic guidelines for the Liechtenstein business and financial location. The announcement is lost in the maelstrom of the affair.

On Friday, 15 February 2008, all major German media report on the arrest, the data theft, and the use of the data by the public prosecutor. Online media race to get details out on an hourly basis.

At this time, the communication department only has information gained from the media.

Over the course of the day, it becomes apparent that this is a major crisis. Prime Minister Otmar Hasler calls a crisis meeting for the morning of the next day. First official statements by the Government Spokesperson on ARD and ZDF television.

On Sunday, 17 February 2008, all German-speaking Sunday media report on the Zumwinkel affair, the data theft from LGT, and the use of the data by the German authorities.

In practically all German media, the "greatest financial scandal in history" in the number 1 topic. In Austria and Switzerland, the events surrounding the tax evasion of German millionaires is also followed with great interest in the media. International media also begin to show an interest in the topic. A decline of international media interest in the coming days is not to be expected.
5.3.2 Communication measures by Liechtenstein

The Liechtenstein Government has only little information in the first four days of the crisis. Information on the current situation is gleaned from media reports, information provided by the affected banks LGT and LLB, and internal specialized offices.

The Government and the Government Spokesperson's Office therefore see their first task as obtaining as much comprehensive information as possible, especially from LGT.

In the first four days of the crisis, from Thursday, 14 February, to Sunday, 17 February, the issue is primarily the "Kieber case" and the "Zumwinkel affair", which primarily affects LGT Bank. The strategy of the first few days therefore rests on two pillars:
1. Collect as extensive information as possible in order to conduct a situation analysis.
2. Respond to all media inquiries directly, thereby signaling openness, transparency and professionalism to the media.
This turns out to be very helpful, since Liechtenstein is always accused of "secretiveness" and "erecting a wall of silence".

In the first few days, Liechtenstein did not conduct any press conferences or issue any press releases, but the following table lists the interviews and background talks that the Government engaged in during this phase.

<table>
<thead>
<tr>
<th>Date</th>
<th>Medium</th>
<th>Who</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.2.2008</td>
<td>Süddeutsche Zeitung</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td></td>
<td>Handelsblatt</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Finanz &amp; Wirtschaft</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Vaterland</td>
<td></td>
</tr>
<tr>
<td>15.2.2008</td>
<td>Süddeutsche Zeitung</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Handelsblatt</td>
<td></td>
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<tr>
<td></td>
<td>Frankfurter Allgemeine Zeitung</td>
<td></td>
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<tr>
<td></td>
<td>Bild Zeitung</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ARD (TV + Hörfunk)</td>
<td></td>
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<tr>
<td></td>
<td>ZDF</td>
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<tr>
<td></td>
<td>Blick</td>
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<tr>
<td></td>
<td>Finanz &amp; Wirtschaft</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Volksblatt</td>
<td></td>
</tr>
<tr>
<td>16.2.2008</td>
<td>ARD (Tagesschau)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ZDF (Heute Journal)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td></td>
</tr>
</tbody>
</table>

Tab. 3: Interviews 14. - 17.2.2008 (Source: own compilation)

In the following Tab. 4, we see the initial jump in Liechtenstein reporting in general, which increased even more over the following days.

<table>
<thead>
<tr>
<th>Calendar week</th>
<th>Day</th>
<th>Date</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week 7</td>
<td>Friday</td>
<td>15.2.2008</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>Saturday</td>
<td>16.2.2008</td>
<td>117</td>
</tr>
<tr>
<td></td>
<td>Sunday</td>
<td>17.2.2008</td>
<td>34</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>194</td>
</tr>
</tbody>
</table>

Tab. 4: Number of media reports 14. – 17.2.2008 (Source: own compilation)
5.4 Phase 3 "Expansion of Zumwinkel affair into tax affair" (18.2. – 29.2.2008)

5.4.1 Overview of events

On Monday, 18 February 2008, 160 e-mail messages from Germany are received at the official e-mail address of the Liechtenstein Government; by the end of the week, there are far more than 300. The media clippings reach entirely new heights starting 18.2.: from 18 to 22 February alone, the clipping contains 2,251 articles (previous month of January 2008 by comparison: 580 articles).

On Tuesday, 19 February 2008, a press conference takes place with H.S.H. Hereditary Prince Alois von und zu Liechtenstein and Deputy Prime Minister and Justice Minister Dr. Klaus Tschütscher on the current events in Vaduz. This is the first time Liechtenstein communicates publically about the events surrounding the Zumwinkel affair and the data theft at LGT. Hereditary Prince Alois and Dr. Tschütscher emphasize that they reject the German methods. "In Liechtenstein, fiscal interests cannot trump principles of the rule of law," the Hereditary Prince says. He thus indirectly criticizes the German tax system and compares it with the Liechtenstein philosophy of State. In his remarks, the Justice Minister emphasizes respect for privacy, which is expressed in concrete terms in bank client confidentiality. He also confirms that investigations against unknown perpetrators have been initiated that day in Vaduz on charges of spying out a business secret. Hereditary Prince Alois adds that Germany cannot solve the problem with its taxpayers by launching an attack on Liechtenstein and a "grossly inflated media campaign". Germany should instead invest its tax revenue in improving its tax system rather than spending millions on data whose legal usability is in doubt.

On Wednesday, 20 February 2008, the long-planned official visit by Prime Minister Otmar Hasler to Federal Chancellor Angela Merkel takes place in Berlin. It is the first official visit of a Liechtenstein prime minister to the German Federal Chancellery since 1992.

On Wednesday, 20 February 2008, Deputy Prime Minister and Justice Minister Dr. Klaus Tschütscher holds a press conference on the total revision of foundation law in Vaduz, which is to be submitted for a first reading by the meeting of Parliament on 13 March (where it is approved unanimously). The reform of foundation law is not a reaction to the German accusation, however, as is assumed by some. The reform efforts date back to the year 1999.

On Thursday, 21 February, Parliament is opened in Vaduz, with the traditional throne speech by the Hereditary Prince, which in light of the current events is also taken up by the international media. Parliament meets for the first time in the new Parliament Building, which was ceremoniously inaugurated a week before.

On Tuesday, 26 February, Chief Public Prosecutor Dr. Robert Wallner holds a press conference in Vaduz on the "Heinrich Kieber case".

On Wednesday, 27 February, the official visit by Prince Albert of Monaco to Federal Chancellor Angela Merkel takes place in Berlin.

On Thursday, 28 February, Prime Minister Otmar Hasler signs the Schengen association agreement in Brussels.
5.4.2 Communication measures by Liechtenstein

In the phase from 18. – 29.02.2008, the Government Spokesperson's Office attaches particular importance to strengthening the reputation of the Principality by communicating the factually secured core messages. The goal was to emphasize the separation of powers in Liechtenstein to the international media, to emphasize the progressive nature of the measures taken, to illuminate the status of the international negotiations, and thus to elucidate the State's sovereignty.

<table>
<thead>
<tr>
<th>When</th>
<th>Topic</th>
<th>Who</th>
<th>Where</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.2.2008</td>
<td>Current events</td>
<td>• H.S.H. Prince Alois von und zu Liechtenstein</td>
<td>Vaduz</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Deputy Prime Minister Klaus Tschütscher</td>
<td></td>
</tr>
<tr>
<td>20.2.2008</td>
<td>State visit in Berlin</td>
<td>• Prime Minister Otmar Hasler</td>
<td>Berlin</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Federal Chancellor Angela Merkel</td>
<td></td>
</tr>
<tr>
<td>20.2.2008</td>
<td>Foundation law reform</td>
<td>• Deputy Prime Minister Klaus Tschütscher</td>
<td>Vaduz</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• President of Parliament Klaus Wanger</td>
<td></td>
</tr>
<tr>
<td>25.2.2008</td>
<td>Women's Business Day</td>
<td>• Foreign Minister Rita Kieber-Beck</td>
<td>Vaduz</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Swiss Federal Councillor Doris Leuthard</td>
<td></td>
</tr>
<tr>
<td>28.2.2008</td>
<td>Signing of Schengen-Dublin</td>
<td>• Prime Minister Otmar Hasler</td>
<td>Brussels</td>
</tr>
<tr>
<td>28.2.2008</td>
<td>Energy package</td>
<td>• Deputy Prime Minister Klaus Tschütscher</td>
<td>Vaduz</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Thomas Stocker, Professor of Climate and Environmental Physics, University of Berne</td>
<td></td>
</tr>
<tr>
<td>29.2.2008</td>
<td>Demonstration by attac</td>
<td>• Minister of Home Affairs Martin Meyer</td>
<td>Vaduz</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Police Chief Adrian Hasler</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>8</td>
</tr>
</tbody>
</table>

Tab. 5: Press conferences 18. - 29.2.2008 (Source: own compilation)

On Tuesday, 19 February, Liechtenstein holds regular press conferences to communicate effectively with the media (see Tab. 5 above).

The press conferences are supported and accompanied by corresponding press releases (see Tab. 6 below).

<table>
<thead>
<tr>
<th>When</th>
<th>Topic</th>
<th>Who</th>
<th>Where</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.2.2008</td>
<td>42-year-old Liechtenstein citizen / LGT Treuhand</td>
<td>Office of the Public Prosecutor</td>
<td></td>
</tr>
<tr>
<td>20.2.2008</td>
<td>Reform of foundation law</td>
<td>Government</td>
<td></td>
</tr>
<tr>
<td>22.2.2008</td>
<td>East German assets</td>
<td>Government</td>
<td></td>
</tr>
<tr>
<td>22.2.2008</td>
<td>Forum for Foundation Law</td>
<td>Government</td>
<td></td>
</tr>
<tr>
<td>27.2.2008</td>
<td>Heinrich Kieber / Bochum request for mutual legal assistance</td>
<td>Office of the Public Prosecutor</td>
<td></td>
</tr>
<tr>
<td>28.2.2008</td>
<td>Schengen-Dublin agreement</td>
<td>Government</td>
<td></td>
</tr>
<tr>
<td>29.2.2008</td>
<td>Money laundering reports and organized crime in Spanish media</td>
<td>Office of the Public Prosecutor</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>7</td>
</tr>
</tbody>
</table>

Tab. 6: Press releases 18. - 29.2.2008 (Source: own compilation)
The interview engagements of the official representatives of Liechtenstein intensify significantly in this phase (see Tab. 7 and 8 below).

<table>
<thead>
<tr>
<th>Date</th>
<th>Medium</th>
<th>Who</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.2.2008</td>
<td>Financial Times Deutschland</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>18.2.2008</td>
<td>Financial Times</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>18.2.2008</td>
<td>ORF Vorarlberg</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>18.2.2008</td>
<td>SDA</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>19.2.2008</td>
<td>ARD Morgennmagazin</td>
<td>Otmar Hasler</td>
</tr>
<tr>
<td>19.2.2008</td>
<td>ARD Tagesthemen</td>
<td>Otmar Hasler</td>
</tr>
<tr>
<td>19.2.2008</td>
<td>ZDF</td>
<td>Otmar Hasler</td>
</tr>
<tr>
<td>19.2.2008</td>
<td>BBC News</td>
<td>Rita Kieber Beck</td>
</tr>
<tr>
<td>19.2.2008</td>
<td>Il Sole 24 ore</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>19.2.2008</td>
<td>Blick</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>19.2.2008</td>
<td>Uwe Rascher (Freelance journalist)</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>20.2.2008</td>
<td>ARD Tagesthemen</td>
<td>Otmar Hasler</td>
</tr>
<tr>
<td>20.2.2008</td>
<td>FAZ</td>
<td>Otmar Hasler</td>
</tr>
<tr>
<td>20.2.2008</td>
<td>SPIEGEL</td>
<td>Otmar Hasler</td>
</tr>
<tr>
<td>20.2.2008</td>
<td>Stern Online</td>
<td>Otmar Hasler</td>
</tr>
<tr>
<td>20.2.2008</td>
<td>BBC</td>
<td>Hereditary Prince Alois</td>
</tr>
<tr>
<td>20.2.2008</td>
<td>Süddeutsche Zeitung</td>
<td>Klaus Tschütscher</td>
</tr>
<tr>
<td>20.2.2008</td>
<td>ARD Monitor TV</td>
<td>Klaus Tschüttscher</td>
</tr>
<tr>
<td>20.2.2008</td>
<td>NTV</td>
<td>Klaus Tschüttscher</td>
</tr>
<tr>
<td>20.2.2008</td>
<td>Bloomberg News</td>
<td>Klaus Tschüttscher</td>
</tr>
<tr>
<td>20.2.2008</td>
<td>Financial Times Deutschland</td>
<td>Klaus Tschüttscher</td>
</tr>
<tr>
<td>20.2.2008</td>
<td>Rundfunk Berlin</td>
<td>Klaus Tschüttscher</td>
</tr>
<tr>
<td>20.2.2008</td>
<td>DDP</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>24</td>
</tr>
</tbody>
</table>

Tab. 7: Interviews 18. - 29.2.2008, Part 1 (Source: own compilation)

<table>
<thead>
<tr>
<th>Date</th>
<th>Medium</th>
<th>Who</th>
</tr>
</thead>
<tbody>
<tr>
<td>21.02.2008</td>
<td>Bild</td>
<td>Otmar Hasler</td>
</tr>
<tr>
<td>21.02.2008</td>
<td>Süddeutsche Zeitung</td>
<td>Otmar Hasler</td>
</tr>
<tr>
<td>21.02.2008</td>
<td>TSR</td>
<td>Klaus Tschüttscher</td>
</tr>
<tr>
<td>21.02.2008</td>
<td>Financial Times Deutschland</td>
<td>Klaus Tschüttscher</td>
</tr>
<tr>
<td>21.02.2008</td>
<td>Neue Zürcher Zeitung</td>
<td>Otmar Hasler</td>
</tr>
<tr>
<td>21.02.2008</td>
<td>Neue Zürcher Zeitung</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>21.02.2008</td>
<td>Radio DRS</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>21.02.2008</td>
<td>SPIEGEL TV</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>21.02.2008</td>
<td>Bild Zeitung</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>22.02.2008</td>
<td>Bild am Sonntag</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>22.02.2008</td>
<td>AFP</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>22.02.2008</td>
<td>La Repubblica</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>23.02.2008</td>
<td>ARD Hörfunk</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>23.02.2008</td>
<td>ORF – Zeit im Bild</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>25.02.2008</td>
<td>Reuters</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>25.02.2008</td>
<td>The Times</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>25.02.2008</td>
<td>Time Magazine</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>25.02.2008</td>
<td>Altenposten</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>25.02.2008</td>
<td>Wirtschaftswoche</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>25.02.2008</td>
<td>Der Standard</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>25.02.2008</td>
<td>La Repubblica</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>26.02.2008</td>
<td>Helsingin Sanomat</td>
<td>Gerlinde Manz-Christ</td>
</tr>
</tbody>
</table>
Liechtenstein's communication activities are also reflected in increased reporting (see Tab. 9).

<table>
<thead>
<tr>
<th>Day</th>
<th>Date</th>
<th>Print media</th>
<th>Radio/TV</th>
<th>Internet</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday</td>
<td>18.2.2008</td>
<td>187</td>
<td>14</td>
<td>0</td>
<td>201</td>
</tr>
<tr>
<td>Tuesday</td>
<td>19.2.2008</td>
<td>292</td>
<td>20</td>
<td>123</td>
<td>435</td>
</tr>
<tr>
<td>Wednesday</td>
<td>20.2.2008</td>
<td>344</td>
<td>35</td>
<td>185</td>
<td>564</td>
</tr>
<tr>
<td>Thursday</td>
<td>21.2.2008</td>
<td>379</td>
<td>20</td>
<td>172</td>
<td>571</td>
</tr>
<tr>
<td>Friday</td>
<td>22.2.2008</td>
<td>307</td>
<td>10</td>
<td>150</td>
<td>467</td>
</tr>
<tr>
<td>Saturday</td>
<td>23.2.2008</td>
<td>229</td>
<td>16</td>
<td>105</td>
<td>350</td>
</tr>
<tr>
<td>Sunday</td>
<td>24.2.2008</td>
<td>117</td>
<td>7</td>
<td>67</td>
<td>191</td>
</tr>
<tr>
<td>Monday</td>
<td>25.2.2008</td>
<td>198</td>
<td>11</td>
<td>99</td>
<td>308</td>
</tr>
<tr>
<td>Tuesday</td>
<td>26.2.2008</td>
<td>187</td>
<td>32</td>
<td>166</td>
<td>585</td>
</tr>
<tr>
<td>Wednesday</td>
<td>27.2.2008</td>
<td>297</td>
<td>7</td>
<td>77</td>
<td>381</td>
</tr>
<tr>
<td>Thursday</td>
<td>28.2.2008</td>
<td>160</td>
<td>9</td>
<td>35</td>
<td>204</td>
</tr>
<tr>
<td>Friday</td>
<td>29.2.2008</td>
<td>173</td>
<td>8</td>
<td>38</td>
<td>219</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2,870</td>
<td>189</td>
<td>1,217</td>
<td>4,276</td>
</tr>
</tbody>
</table>

5.5 Phase 4 "Media interest subsides" (1.3. – 31.3.2008)

5.5.1 Overview of events

On Tuesday, 4 March, the EU finance ministers meet in Brussels for the ECOFIN meeting. The topic of cross-border tax cooperation is discussed. The Austrian and Luxembourg finance ministers defend themselves against accusations by their German colleague.

The same day, LGT holds its balance sheet press conference, in which it presents excellent results for 2007 and notes that the events surrounding the data theft have not led to any significant loss of business – the CEO of LGT, Prince Max von und zu Liechtenstein, speaks of "peanuts".

On Friday, 7 March, Deputy Prime Minister and Minister of Economic Affairs Dr. Klaus Tschütscher presents the Liechtenstein business and tourism location at the Internationale Tourismus Börse (ITB) in Berlin.

The same day, the FIU presents its 2007 Annual Report at a press conference in Vaduz.

On 21 March 2008, the Palermo Convention (UN Convention against Transnational Organized Crime) enters into force for Liechtenstein. This is another important step by Liechtenstein with respect to international cooperation in fighting crime.
5.5.2 Communication measures by Liechtenstein

The communication strategy is continued and intensified by the Government Spokesperson's Office in March 2008. The focus is increasingly on using the attention of international media directed at Liechtenstein to place core messages in a targeted manner, expand existing contacts with journalists, and thus to use the crisis as an opportunity. This is again done by means of press conferences (see Tab. 10), press releases (see Tab. 11) and interviews (see Tab. 12).

<table>
<thead>
<tr>
<th>When</th>
<th>Topic</th>
<th>Who</th>
<th>Where</th>
</tr>
</thead>
</table>
| 5.3.2008 | FIU Annual Report            | • Prime Minister Otmar Hasler
                          | • Martin Frick, Director of the Prime Minister's Office
                          | • René Brühlhart, Director of the FIU                               | Vaduz    |
| 7.3.2008 | ITB Berlin                  | • Deputy Prime Minister Klaus Tschütscher
                          | • H.S.H. Prince Stefan von Liechtenstein
                          | (ambassador of Liechtenstein in Berlin)                            | Berlin   |
| Total   |                              |                                                                      | 2       |

Tab. 10: Press conferences 1. - 31.3.2008 (Source: own compilation)

<table>
<thead>
<tr>
<th>When</th>
<th>Topic</th>
<th>Who</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.3.2008</td>
<td>IMF Final Report</td>
<td>Government</td>
</tr>
<tr>
<td>5.3.2008</td>
<td>FIU Annual Report</td>
<td>Government</td>
</tr>
<tr>
<td>7.3.2008</td>
<td>ITB (international travel trade show in Berlin)</td>
<td>Government</td>
</tr>
<tr>
<td>11.3.2008</td>
<td>Neue Pinakothek exhibit</td>
<td>Princely House</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>4</td>
</tr>
</tbody>
</table>

Tab. 11: Press releases 1. - 31.3.2008 (Source: own compilation)

<table>
<thead>
<tr>
<th>Date</th>
<th>Medium</th>
<th>Who</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.3.2008</td>
<td>TV MBC South Korean TV</td>
<td>Markus Kaufmann</td>
</tr>
<tr>
<td>6.3.2008</td>
<td>Asahi Shimbun (Japanese daily newspaper)</td>
<td>Markus Kaufmann</td>
</tr>
<tr>
<td>12.3.2008</td>
<td>BBC Radio</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>18.3.2008</td>
<td>Japanese TV</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>26.3.2008</td>
<td>Slovenian TV</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>27.3.2008</td>
<td>Verdens Gang (Norwegian business magazine)</td>
<td>Gerlinde Manz-Christ</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>6</td>
</tr>
</tbody>
</table>

Tab. 12: Interviews 1. - 31.3.2008 (Source: own compilation)

The intensity of reporting subsides somewhat, but is still at a high level (see Tab. 13 and 14).
5.6 Subsequent phase "It will never be the same again" (1.4. - 30.6.2008)

5.6.1 Overview of events

The negotiations between Liechtenstein and the EU Commission, already underway since 2006, on the EU Anti-Fraud Agreement concerning future cooperation on both direct and indirect taxes, are concluded in terms of content on 27 June 2008 in Brussels.

5.6.2 Communication measures by Liechtenstein

From 1 April, the Government Spokesperson's Office focuses on systematic and orderly establishment and cultivation of contacts with international media. It views this as an essential building block for successful and long-term communication work. The crisis of February 2008 noticeably facilitates access to important opinion-makers and is used deliberately. The focus areas of communication work until the end of the observation period of this paper include visits to editorial offices in Germany (generally together with the Liechtenstein

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1 No figures available for radio/TV and Internet
2 Figures without radio/TV and Internet
ambassador in Germany) and talks with the correspondents of international media in Zurich, Brussels and Berlin.

Another time-intensive focus is on developing the context of background materials on complex topics relating to the financial center, Q&As, ensuring that all Liechtenstein representatives at home and abroad speak with a single voice, and even stronger coordination and harmonization of the messages at home.

The international negotiations, such as on the EU Anti-Fraud Agreement, as well as other relevant developments including adoption of the foundation law reform and appropriate events are closely accompanied by communication work.

Media reporting declined substantially during this time period, but was still at a higher level overall than the corresponding months of the previous year (see also Fig. 6).
6 Interpretation of the tax affair on the basis of media reporting and using the model of social framing of issues

In order to examine the present case according to the analytical matrix of Wolfgang Eichhorn, it first appears useful to gain a general overview of the course of media reporting by analyzing the media reports in detail on a daily basis. Building on this, we can identify the actors and describe the general functions as processes (see Eichhorn 2005, 152).

For this purpose, the author will use the time segments introduced in Chapter 5, which exhibit different focuses of issue selection and presentation of the actors. The first major time segment from November 1999 to December 2007 will not be included in this analysis, since it is used only as a framework for understanding the chronological context and overall picture of the tax affair.

The following figure shows the quantitative media reporting from 1 January to 1 May 2008.

![Figure 6: Number of total media reports from 1.1. - 1.5.2008 (Source: own compilation)](image)

The graph also clearly shows that reporting returned to a similar level as in phase 1 after the maximum phase from the middle to the end of February 2008, but that it remained at a higher level than before. Fig. 7 below shows a direct comparison of the two phases and also lends statistical support to the above statement: the arithmetic mean in Phase 1 is 18.9 media reports per day; in the subsequent phase, it is 38.0 media reports per day.
6.1 Phase 1 (1.1. - 13.2.2008) - Weak signals?

In the time period 1.1.-13.2.2008, all relevant articles were selected that show the media landscape's "sentiment" and that reflect the issue selection of the media during this period in general. The goal was to determine whether expectations of the steps to be taken against Liechtenstein could be gleaned from the media during this time period.

The quantitative development of media reporting on the topic of "Liechtenstein and the tax affair" in this time period is shown in the figure above (Fig. 6). While there is no significant amount of reporting from 1 January to 13 February, the media reports jump in number starting 14 February and maintain their intensity until about the end of February. Starting the beginning of March, they steadily subside, but stay at a level that is higher overall than before the observation period.

Media sentiment regarding Liechtenstein

During this time period, the international media only report very sporadically on Liechtenstein and only in connection with other reports (e.g. Siemens corruption case).

In Switzerland, the media increasingly report on the tax dispute with the EU. The relations with Germany are not discussed in this regard, even though Germany's expectations are outlined. Liechtenstein is only very sporadically perceived by the media in January. No increased media interest in Liechtenstein can be ascertained, and no excessively low or high level or reporting. The "tax haven" topic is likewise not discussed broadly or commented. In connection with ongoing investigations (Siemens, Flowtex, etc.), the model of the "Liechtenstein foundation" is mentioned, but not evaluated. However, the multiple combination of investigative procedures with Liechtenstein entails that Liechtenstein is sometimes linked with catchwords such as "black money" and "concealment".

The LLB discussion increasingly enhances this trend. The topics of "blackmail" and "data theft" are also addresses. But the reports only concern LLB. LGT and Heinrich Kieber are not to be found in the reports.
Media sentiment in Germany

In Germany during this period, the topics of "manager salaries", "Landesbanken", and "fair income distribution" are the focus of media reports. Siemens and other court cases continue to be discussed. Additionally, individual cases of tax evasion are mentioned, but not in connection with Liechtenstein or foundations.

The topic of data security and surrender of information ("transparent citizens") also dominates the media. No clear expectations can be derived from the media, however.

Although we do not find any indications of the "Zumwinkel case" or "tax affair" in the media reports between 1 January and 13 February 2008 – except for the already mentioned article in SPIEGEL on 11 February – knowledge of the accusations made against the Liechtenstein financial center, especially with respect to taxes, is not new. Already in the Report and Proposal of the Government to the Liechtenstein Parliament on "Liechtenstein's foreign policy goals" (Report and Proposal of the Government, No. 62/2007 of 15.5.2007), the Government states: "The criticism by some foreign countries against the Liechtenstein financial center will likely not subside in the future and will continue to entail political pressure." The Liechtenstein ambassador in Berlin, Prince Stefan von und zu Liechtenstein, summed it up in an interview (Liechtensteiner Vaterland, 15.3.2008, 9): "It is easier to make the Sahara bloom than to improve the image of Liechtenstein. [...] One of the reasons for this difficult task is frequently a certain arrogance in Germany and a lack of interest in information." Well, one positive aspect of the "tax affair" in this regard is certainly that Liechtenstein no longer has to complain about lack of interest in information.

What is striking, however, is that SPIEGEL on 11 February, i.e. three days before Zumwinkel's arrest, is already preparing the topic of Liechtenstein, so to speak, with an article on Switzerland and LLB ("BLACK MONEY – last payment in Zurich", 44). The article does not mention LGT. But this article does describe the attempts of a former bank robber trying to blackmail the Liechtensteinische Landesbank (LLB) with account data he allegedly received. The article mentions German bank clients who might be distressed by these events: "Hundreds of German clients are affected who may have hidden accounts in Liechtenstein. [...] His list, or a copy of the document, continues to threaten Liechtenstein bank secrecy and the clients whose data it discloses. German tax investigators would very much like to have that document." (Italics by the author.)

Many Swiss media took up this story in the following days and reported on it.

6.2 Phase 2 (14.2. – 17.2.2008) - The "Zumwinkel affair"

ZDF and ARD report live already since the early morning hours of 14 February from the private home of Klaus Zumwinkel. Immediately after arrival of the investigation authorities, online media report on the search and show the first images of the then chairman of Deutsche Post at the side of prosecutor Lichtinghagen. By noon, other information is disseminated via the media, and the topic of "tax fraud/tax evasion" enters the headlines of the online and television media.
While on Friday, 15 February, FAZ still speaks on page 1 of "Suspicion of tax evasion against Klaus Zumwinkel", Bild's headline reads: "One million in taxes evaded!" and "The height of hypocrisy" on page 2. The entire German-speaking coverage is characterized by the "tax raid" against Klaus Zumwinkel the previous day. The Zumwinkel case is also already considered prelude to a series of additional searches ("Secret accounts may be exposed: Only the prelude for a whole series of searches", Handelsblatt, 1) and as a case study for tax evasion. Background information on how the secret data was obtained is only discussed at the margins. There are initial political reactions.

Over the course of Friday, 15 February, the Principality of Liechtenstein enters the media agenda and, hour-by-hour, comes more and more into the focus of online reporting and TV/radio coverage.

This is also taken up by the print media on Saturday, 16 February ("This is why everyone hides their money in Liechtenstein", Bild, 3). At the same time, more and more information on the scope of the investigations becomes public via the media. According to FAZ on Saturday, 16 February, Minister of Finance Peer Steinbrück recommends "turning oneself in" (page 1). A headline in Handelsblatt Online cites an investigating officer with the world: "Next week the furore will continue."

More background on LGT and the "acquisition of data" is now provided. The afternoon headline of SPIEGEL Online reads: "BND paid five million for secret tax data."

In general, the focus of the reports is no longer on the Zumwinkel case, but rather on the topic of tax evasion in Germany and potentially affected persons. Moreover, background on acquisition of the data and other cases and raids dominate the coverage. The media no longer focus primarily on LGT, but rather on the Government and the Principality of Liechtenstein in general. While the person of Zumwinkel already recedes into the background on Saturday, 16 February, the "tax morality debate" is gaining momentum.

The headlines of the Sunday media on 17 February are also dominated by this topic. "The nasty tricks of the millionaires" is the headline in Bild am Sonntag, and Welt am Sonntag writes "The failure of the elites". Welt am Sonntag calls tax evasion a "popular sport". At the same time, the media take up political demands for tougher penalties for tax offenses. The topic is already called "the greatest financial scandal in history" by various media on Sunday, 17 February.

In the international media, in contrast, there is only little reporting through Sunday, 17 February.

6.3 Phase 3 (18.2.— 29.2.2008) – Expansion of Zumwinkel affair into tax affair

On Monday, 18 February, SPIEGEL's cover pictures Zumwinkel with the caption "Enemy of the state: Tax evader" and reports on "tax havens". SPIEGEL TV on the evening before, 17 February, already discussed the topic. The article clearly influences subsequent media coverage. Several media refer to the research by SPIEGEL magazine. Due to the increase of political pressure and statements of the investigating authorities to the media ("Nobody can clean house so thoroughly that we can't find anything," FAZ of 18 February, title page), the
topic gains further momentum. This also puts Liechtenstein increasing in the focus of reporting, and the country is portrayed by the media as isolated and weak.

This is seen particularly in the reporting on Tuesday morning, 19 February. "A touch of panic in Liechtenstein" writes the Börsen-Zeitung (19.2.2008, 8) and "Liechtenstein banks face shambles" was the headline in Die Welt (19.2.2008, 15).

While the Liechtenstein financial center was the focus of reports until now, the press conference by the Hereditary Prince and the Deputy Prime Minister on Tuesday, 19 February, and the upcoming meeting of Liechtenstein Prime Minister with the German Federal Chancellor further enhance the political dimension. The press conference with the Hereditary Prince and the Deputy Prime Minister is portrayed as a "counterattack from Vaduz" (FAZ, 20 February, 1). Catchwords like "Duckburg" and "campaign" are taken up. On this basis, the media assess the meeting between the Prime Minister and the Federal Chancellor in advance as a "frosty reception" (Handelsblatt, 20 February, 4). The Principality as a whole increasingly becomes a plaything of the media.

Questions on the Principality's willingness to cooperate and the possibilities for the Federal Chancellor to exert pressure on Liechtenstein are discussed controversially the middle of the week, while the "tax morality debate" and the "Heinrich Kieber" theme increasingly fade into the background.

The visit of Prime Minister Hasler in Berlin on Wednesday, 20 February, is called "diplomatically civilized". The previous afternoon, the agencies unanimously referred to the talks as "constructive". The appearances of the Prime Minister in the news programs of ARD and ZDF on Wednesday evening, 20 February, contribute to a more objective tone.

The demands of the Federal Chancellor are clearly communicated ("Merkel puts Liechtenstein under pressure", Handelsblatt, 21.2., 1 or "Merkel demands transparency agreement", FAZ, 21.2., 1). The international coverage increases. Especially the expansion of the issue to Switzerland and Austria contributes to this. A subordinate issue in the German-speaking media continues to be the question of legality of the acquisition of the data by the BND, however.

Liechtenstein's cooperation in the European context and its relations with Germany continue to be discussed. On Friday, 22 February, FAZ prints an interview conducted with Prime Minister Hasler. The speech by the Hereditary Prince at the opening of Parliament the day before, 21.2., is also reported on.

On Friday afternoon, 22.2., the news agencies disseminate the comment by Pierre Mirabaud, President of the Swiss Bankers Association, that the approach by the German investigating authorities reminds him of the "Gestapo". He subsequently takes back this comment, however.

In the coming days, the focus is on expansion of the "tax affair" to other countries as well as the general topic of "tax havens". On Saturday, 23 February, Die Welt reported that "Andorra and Monaco are also in the pillory" (p. 11). Bild in turn reports that members of the German Parliament can also be found on the stolen CD. At the same time, the expectations of the
Federal Government ahead of the meeting between the German Chancellor and Prince Albert of Monaco are communicated via the media.

The Sunday press on 24 February summarizes the week's coverage and, in addition to the topics of BND and Heinrich Kieber, reports on the "popular sport of defrauding the State" (Welt am Sonntag, 24). At the same time, portraits of the Principality of Liechtenstein and the Princely Family are published, and speculations are voiced about the impact of the current situation on the country. Federal Minister of Finance Peer Steinbrück takes the floor in Bild am Sonntag, 24.2., and says that he would like to conclude a double taxation agreement with Liechtenstein. Steinbrück confirms his demands again the beginning of the week. He wants to "dry up tax havens," writes FAZ on 23.2.2008 (p. 11). British media report on Sunday, 24.2. that the UK, like the BND, had previously paid money for the "tax files".

On Tuesday, 26 February, the headline of the Handelsblatt claims that "Switzerland and Austria will run for cover". The Süddeutsche Zeitung stays with the "Story of the second man" (p. 7). The international expansion of the crisis remains the main topic in that week's media reporting.

The press conference held by the Liechtenstein Office of the Public Prosecutor on 26 February meets with a good response in the media the following Wednesday, 27 February. Nearly all opinion-forming media include the sum of "200 million" in "120 tax cases" in their headlines. The FAZ publishes an interview with Prince Albert on 27.2. emphasizing that the Principality of Monaco has endeavored for many years to adopt the international standards.

The international dimension of the issue again appears on the public agenda on Thursday, 28 February. Prime Minister Otmar Hasler's signing of the Schengen agreement is reported live from Brussels, and the print media report and comment Prince Albert's visit to Berlin in the morning. The assessment of Prince Albert's visit is predominantly positive. The Handelsblatt discusses the Principality of Monaco's "good sense". But reports also include the German Government's anti-money-laundering directive adopted the previous day and the Liechtenstein Office of the Public Prosecutor's request to Germany for mutual legal assistance. The Principality is "turning the tables", writes Financial Times Deutschland (p. 11), and the international media also take up this report.

The intensity and the focus of coverage diminish significantly again over the coming days. On Friday, 29 February, reporting concentrates predominantly on the Schengen accession of the Principality of Liechtenstein and Liechtenstein's willingness to cooperate in the search for supposed "tax evaders". The German Minister of the Interior Wolfgang Schäuble indicates that EU interior ministers will not unanimously approve Liechtenstein's membership in the EU Schengen area (Handelsblatt, 29.2.).

The first companies and financial service providers (including Talanx) announce that they will review their cooperation with Liechtenstein.

The "tax morality debate" has meanwhile increasingly moved to the feature pages and is continued there.
6.4 Phase 4 (1.3. – 31.3.2008) – Media interest subsides

On Saturday, 1 March, the media report that Peer Steinbrück sees the acquisition of the data as the "deal of his life". This statement was made in an interview with Steinbrück in the Frankfurter Rundschau published on 1.3. (pp. 6f). At the same time, it is reported that proceedings may be initiated against the LLB blackmailers in Rostock. The headline of the Süddeutsche Zeitung says that there were "several whistleblowers in Liechtenstein". Information and articles in this regard are published in the coming days as well. In the afternoon, agencies disseminate the report that investigations have commenced in Italy on the basis of the "tax file".


SPIEGEL, Focus and Wirtschaftswoche focus primarily on the background of the "data theft" and report that LLB has recruited former German BKA officers to retrieve the stolen data. SPIEGEL also reports on Monday, 3 March, about alleged "nuclear millions" in Liechtenstein. Only the next day is the upcoming Ecofin meeting of EU finance ministers in Brussels discussed. According to the agencies, Steinbrück plans to tighten the EU Savings Directive (Reuters, dpa). Steinbrück wants to close "existing tax loopholes," a speaker of the Ministry of Finance says.

On Tuesday, 4 March, the topic of Ecofin is taken up broadly by the media. "Useful affair" is the Handelsblatt headline (p. 10), while Die Welt summarizes that "stricter savings tax directives are the goal." German media report that the "tax affair" has reached Austria (Financial Times Deutschland, 4.3., 15).

While the results of the Ecofin meeting on Wednesday, 5 March, are interpreted in different ways by the German media ("Steinbrück exerts pressure in Brussels", Börsenzeitung, and "Fight against tax havens divides EU", Süddeutsche Zeitung), LGT’s business figures are also reported on in detail. Strikingly, the coverage is predominantly balanced. In the morning of 5.3., FAZ also prints an interview with Prince Max von und zu Liechtenstein, CEO of LGT. Around noon of 5.3., the IMF publishes its detailed report on Liechtenstein. According to the report, Liechtenstein is not combating illegal financial transactions effectively enough, as the agencies report. At the same time, French Minister of Finance Woerth calls for "retribution" against Liechtenstein in the media.

The IMF report also dominates the headlines on Thursday, 6 March. The IMF "warns Liechtenstein," is the headline in the Süddeutsche Zeitung. Along with an article on the mood in Liechtenstein in the Süddeutsche Zeitung, the media this week increasingly also report on the continuing domestic policy discussions concerning "data theft" and "tax morality".

The reporting on Friday, 7 March, is in contrast significantly less intensive. The Süddeutsche Zeitung reports on Liechtenstein’s request for mutual legal assistance, and FAZ publishes a critical profile of Steinbrück. In the morning, however, the media focus on a report by the ARD magazine "Panorama", according to which German authorities had been offered more data (belonging to LLB). LLB denies the loss of a "DVD or list" (dpa). These reports are
taken up again on the following day by the media ("Government is offered new tax data", Bild Berlin-Brandenburg, 1).

On 8 March, FAZ (p. 4) also publishes an article on the visit by Deputy Prime Minister Klaus Tschütscher to the Liechtenstein stand at the ITB trade fair. On the eve of Saturday, 8.3., it is reported that Heinrich Kieber is in Australia.

SPIEGEL and Focus (in advance) as well as the Frankfurter Sonntagszeitung publish an article on the Kieber case on 9 March; the weekly magazines report that Mr. Kieber is "fearing for his life". On Sunday, an interview and profile of Prince Max von und zu Liechtenstein are published in the NZZ.

The demands made by data thief Heinrich Kieber to the BND, namely a new identity because he "fears for his life", as already reported on Sunday, 9.3. in Focus, are taken up by the daily press on Monday as well ("Liechtenstein informant lives in fear for his life", Financial Times Deutschland, 10.3., 13).

In the course of Tuesday, 11 March, the Swiss News Agency SDA reports that the Principality of Liechtenstein will cancel its planned exhibit in the Neue Pinakothek in Munich in May, due to the tense relationship with Germany (SDA, AFP). Reports by German agencies follow, according to which VP Bank is presenting its 2007 annual report showing that its profit rose by nearly 20% to CHF 161.5 million (dpa, Reuters, Dow Jones). It is also reported that Germany will transmit the tax files with data concerning Austrian citizens to the Austrian authorities as soon as possible.

The report about the cancelation of the art exhibit is discussed by all German-speaking media in the coming days. Subsequently, discussion of the painting collection shifts more and more into the feature pages ("But the signal from the Princely House is very clear. Vaduz doesn't feel caught red-handed. It feels attacked", Süddeutsche Zeitung, 13.3., 13).

During this time, the Austrian press focuses more strongly on the handing over of the datasets on the "tax DVD", which allegedly concerns about 150 Austrians.

On Thursday, 13 March, the emphasis is on the international search for Heinrich Kieber by Liechtenstein. The profile issued by the National Police is also discussed.

On Friday, 14 March, the Austrian press reports on the statement by the president of the Monaco banking association, who says that Monaco's inclusion on the list of uncooperative countries is "major hypocrisy".

On the weekend, coverage continues to wane. On Saturday, 15 March, the SZ again reports on the LLB's approach and the effects on Austria.

Focus, as a weekly news magazine, prints an interview with the president of the BND at the beginning of the new week (17 March to 21 March), including on Liechtenstein. Otherwise, the daily press takes up the weekend reports on the tax scandal in Austria.

In the course of Tuesday, 18 March, the German and Swiss news agencies report on the LLB press conference, at which it announces its record profit in 2007 (Reuters, AWP). Reuters also
reports that Luxembourg does not intend to weaken its banking secrecy and that the German tax affair is spreading to Switzerland.

On Wednesday, 19 March, these topics are taken up in the daily press, especially the results of LLB, which are positive despite the blackmail affair. The focus of the German and Austrian media, however, is on Reigning Prince Hans-Adam II's statements in an interview with Radio Liechtenstein about the BND, in which he accused the BND of "sloppy work". Especially FAZ reports on this interview ("Prince Hans-Adam criticizes Steinbrück and BND", 6). The international dimension with suspected tax evaders in Austria, Switzerland and Italy is reported more frequently in short reports.

Also on the Thursday before Easter, 20 March, the focus of coverage in the German media is on the expansion of the tax affair to further countries. The media pay particular attention to the "data theft" and the offer by an unknown perpetrator to sell new Swiss tax data. In the Swiss media, the Swiss Minister of Finance says, "You will find this banking secrecy a hard nut to crack" (inter alia Neue Zürcher Zeitung, 20.3., 2).

6.5 Identification of the actors

6.5.1 Basic considerations

Building on the above overview of the media reporting on a daily basis, the actors will be identified and documented on the basis of the quotes in the underlying media reports.

Actors are groups who want to see their interests realized. The model of social framing of issues by Eichhorn used in this paper helps to identify the actors in an investigated case study. It divides the actors into five general groups: interest groups, mass media, active audience, passive audience, and political actors (for details, see Chapter 2.4.3). The present paper aims to extract the actors operating in this tax affair on the basis of these five groups. Using knowledge about various actors, it should in future be easier to address the various actors in external communication as well and hence to communicate more effectively.

What we will do below is clarify the question of whether, and if so which, effects are caused by the fact that the actors are located and act in two different countries. Do the actors in one of the five abovementioned groups have the same interests – e.g. the active or passive audience expressing its opinion in the form of letters to the editor, op-eds, or interviews – or conflicting interests – e.g. the political actors in Germany and those in Liechtenstein? We would then find different interests even within the five individual groups that would have to be taken into account. Within the general group of the mass media, however, this paper exclusively looks at the German media, since the Liechtenstein print media are classified – as already mentioned in Chapter 4 – as party organs of the two political parties and do not have any impact beyond Liechtenstein's national borders.

For reasons of space and clarity, the actors on both the Liechtenstein and German sides will be aggregated at a relatively high level of abstraction. Especially detailed and complex particular interests will not be taken into account here. The paper assumes a set of shared interests with which the various actors can be aggregated into larger collectives or publics, without interfering with the result of this examination. Similarly, only those actors will be
considered here whose statements were made available in the media examined by this paper. Research in this area is based on quotes which can be considered indicative of the groups of actors in question and which describe their interests well. The goal of the present chapter is only to identify the political actors on the basis of the published quotes.

6.5.2 Interest groups

These include all organized groups that do not belong to the political system in a narrow sense but that represent public interests. They bundle particular interests in society and reduce diversity.

Looking through the source material on which this paper is based, it becomes clear that – in addition to the expected political actors (see below) – different interest groups were quoted in the German media and had a not insignificant impact on public opinion and thus were made visible. Essentially, the following six interest groups have been identified:

- Public prosecutors' offices
- Financial publics in Germany and Liechtenstein
- Tax investigators
- German Tax Union
- German Taxpayers Association
- Representatives of the German private sector

Out of the myriad of quotes, only a representative small selection can be made for purposes of this paper.

First, the representatives of various public prosecutors' offices must be mentioned, which got the ball rolling, were obviously the driving force in the Zumwinkel case (or at least presented themselves that way and appeared as such in the first few days), and received an astonishing amount of publicity for a justice authority. They willingly answered the media's questions and were always good for snappy and certainly also political statements. For instance, Bochum Senior Prosecutor Bernd Bieniossek said on 19.2.2008 according to the Dow Jones news agency, "Why should our investigators contact Liechtenstein? [...] We would never have gotten help anyway. [...] Of course, it would be better for fair taxation, if Liechtenstein adopted a more cooperative stance." This was a not atypical reduction of reality in the first days of the tax affairs – at the level of public prosecutor's offices, Liechtenstein-German cooperation has been very good for many years. In 2004 to 2007, Liechtenstein received an average of 48 requests for mutual legal assistance from Germany. The distinction that Liechtenstein actually only grants mutual legal assistance in cases of tax fraud, but not in cases of pure tax evasion, was only belatedly made by media reports. The Chief Public Prosecutor in Liechtenstein, Robert Wallner, responded immediately: "If our colleagues in Bochum already have the documents, they don't need me." (Stern, 21.2.2008, 34).

Chief Public Prosecutor Wallner was also willing to announce certain conflicts of interest via the media: "I find it disconcerting, to say the least, that German authorities are paying money to a criminal in order to obtain the goods he has stolen." (Reuters, 19.2.2008). Otherwise, the Liechtenstein Office of the Public Prosecutor endeavored to disseminate objective
information about the facts of the case: "We have initiated investigative proceedings against unknown perpetrators on grounds of violation of business secrets for the benefit of a foreign country." (Dow Jones, 19.2.2008). Also: "He [the BND informant] exploited this position of trust to obtain client data." (Bild-Zeitung, 20.2.2008, 2).

Various other quotes show the interests of the German side, especially Federal Minister of Finance Peer Steinbrück, and the goal of the attacks via the media: "This was the deal of my life. An investment of about 4 million euros and an expected return of 300 million euros." (Frankfurter Rundschau, 1.3.2008, 6-7). "We have a second Liechtenstein bank in our sights." (a public prosecutor, dpa-AFX, 24.2.2008). The entire case had apparently been well prepared by this side: "Evidence is of unusually high quality. [...] In light of the expressiveness of the materials, it is clear to most of the accused that denial is useless. [...] There are no indications that the data material bought from an informant by the BND might be unlawful. [...] We reviewed this very carefully in advance." (Attorney General in Hamm, Manfred Proyer, SZ, 27.2.2008, 1)

Delight in the success of the major investigative operations and envy among colleagues about this success lie close together. As an officer in charge said in the magazine Capital on 28.2.2008 (p. 22), "Sometimes my colleagues want to tackle too many cases on a single day, since it's so easy. [...] As if you go visit Grandma Schmitz and find an untaxed savings account book." The same day, FTD (p. 11) cited the justice spokesperson of Public Prosecutor's Office I in Munich in regard to answering the request by Liechtenstein for mutual legal assistance from Germany: "Bochum is in charge of this case, but maybe you think we're responsible because the BND is located here."

→ Conclusion: The Bochum public prosecutor's office and subsequently other public prosecutors' offices as well were not only proactive in terms of content, but also in their media appearances, setting the tone of the conflict from the outset.

As a second interest group, the financial public in Germany and Liechtenstein, but also in Switzerland, can be identified. This includes the Liechtenstein Bankers Association (LBA), the Association of German Banks, the Swiss Bankers Association, the Swiss Federal Banking Commission, individual banks in Germany and Liechtenstein, and among the latter especially Liechtenstein Global Trust (LGT), which was affected by the data theft. Depending on their personal dismay, they express their opinions on the events from a distance, e.g. "Every individual citizen must decide for himself what to do or not to do. We're not the police."

(Chairman of the Board of Trustees of LGT Bank, Prince Philipp von und zu Liechtenstein, in: Die Welt, 21.2.2008, 3) or use the opportunity to draw attention to circumstances that had been known for a long time, but were not broadly made public, e.g. "The points addressed by Ms. Merkel are not new [i.e. implementation of the Third EU Money Laundering Directive, conclusion of an Anti-Fraud Agreement, etc.]. This has all been underway for many years. The situation at most accelerates the process." (LBA Director Michael Lauber, FTD: 22.2.2008, 12). The interests are clearly expressed, also across national borders: "The legal situation is clear: there is banking secrecy and a tax agreement." (Speaker of the Swiss Federal Banking Commission, Alain Bichsel, Die Welt, 21.2.2008, 3) or "Tax honesty is a
matter for the client." (a speaker of the Association of German Banks, Die Welt, 28.2.2008, 12).

→ Conclusion: By and large, the representatives of the financial publics, at least the banking associations, were present with matter-of-fact statements in the media.

Interestingly, while the topic of Liechtenstein foundations – which is closely associated with the professional group of trustees – repeatedly surfaced in the examined media, the Liechtenstein Association of Professional Trustees did not express itself in the examined media and does not appear there.

→ Conclusion: Even in the present case, the Liechtenstein Association of Professional Trustees lived up to its reputation of absolute discretion and kept its profession out of the media.

Another interest group – even though it could be called the "long arm of the German Federal Ministry of Finance, a political actor" – is made up of German tax investigators, who drew attention in the media with pithy statements and opinions: "Nobody can clean house so thoroughly that we can't find anything." (tax investigation circles, Bild-Zeitung, 19.2.2008, 2) "Everyone should still have time to turn themselves in." (director of the Berlin tax investigation authority, Wolfgang Lübke, Bild-Zeitung, 19.2.2008, 2) "Zumwinkel is small-fry in comparison." (tax investigation circles, with regard to the assumption that perpetrators were on the investigation list who had evaded many times more than Zumwinkel, Handelsblatt, 22.2.2008, Cash Daily, 22.2.2008, 6) or "When we are able to dry up the swamp, we should do so." (chief officer of a Rhine region tax investigation authority, Capital, 28.2.2008, 22).

→ Conclusion: With their statements, tax investigators built up huge media pressure as an actor, thus supporting Federal Minister of Finance Steinbrück.

The German Tax Union on the one side often expressed itself via its Federal Chairman Dieter Ondracek, emphasizing the interests underlying the entire operation: "To my knowledge, a total of several thousand individuals have turned themselves in or will turn themselves in." (Ondracek, FTD, 22.2.2008, 12).

→ Conclusion: With its media appearances, the German Tax Union supported the "coalition of tax enforcers".

On the other side, the President of the Germany Taxpayers Association, Karl-Heinz Däke, appeared as the representative of the interests of German taxpayers: "A higher penalty would not help here either. Indeed, only a revision and simplification of tax law would help." (Reuters, 19.2.2008). These interests are, in the nature of the matter, not the same as those of the German Tax Union: "Our tax havens are in those areas where relatively many rich people live. That is where the audit service is understaffed." (Ondracek, FTD, 22.2.2008, 12) and "The existing penalties, which provide for up to 10 years in prison, are sufficient. They simply need to be exhausted." (idem, dpa-AFX, 21.2.2008).
Conclusion: The rather moderate statements on the part of taxpayers not only exhibit a different communication culture, but also the weak position of this group due to the actually occurring, illegal cases of tax evasion.

The interest group of German taxpayers receives support from the German private sector: "The transparent tax citizen cannot be the answer of politics to its own failings in the reform of our tax system." (Director of the German Association of Medium-Sized Enterprises, BVMW, Mario Ohoven, Euro am Sonntag, 24.2.2008, 8) and "Better tax morality results from a continuous and simple system without exceptions, that everyone understands and that treats all recipients equally and adequately punishes abuses." (Director of RWE, Jürgen Grossmann, Handelsblatt, 25.2.2008, 5). Even the president of the Federal Constitutional Court, Hans-Jürgen Papier, supports this view: "Tax law is too complicated and has become unmanageable. [...] It can be seen at all levels that the legal awareness of citizens is diminishing." (Papier, Die Welt, 22.2.2008, 11).

Conclusion: This support is unexpected and shows the real problems in value-neutral terms.

In summary, it can be said that on the Liechtenstein side, the Office of the Public Prosecutor, the LGT Bank affected by the data theft, and the Liechtenstein Bankers Association made an appearance as interest group actors: either to explain the situation – such as a speaker of LGT in FTD of 20.2.2008 (pp. 1 and 26) "Our problem is that we don't know what materials the German investigators are using as a basis." – or to present their standpoint – such as Michael Lauber, Director of the LBA in SZ of 26.2.2008: "This is primarily a German problem."

On the German side, it was mainly the public prosecutors' offices, tax authorities, tax investigators, and the German Tax Union who all had more or less the same interest, namely to suppress tax evasion and the transfer of German tax money abroad, by whatever means. On the other side of the interests to be distinguished, there was the German Taxpayers Association, with support from the private sector and the courts, which made the unmanageable nature of German tax laws and the high tax rates responsible for tax dishonesty and whose interest is in reducing taxes and simplifying the tax system.

6.5.3 The mass media

The mass media are linked with other areas of society at an individual and organizational level. Their main functions are to provide information and social orientation. From the perceived reality, the journalist actively constructs a media reality which is codetermined by a multitude of individual and systemic factors. Media reality is a collective product that is determined by the participating individuals, organizations and their interactions as well as interaction with the environment (see Eichhorn 2005, 154).

The mass media played a dominant role in the examined case. The German and international tax debate triggered by the "Zumwinkel affair" was essentially conducted via the international media and especially the German media, not at the established bilateral political and administrative levels, although they obviously had a political dimension. On 14 February 2008, TV teams were long standing at the ready when representatives of the Bochum public
prosecutor's office arrived to search postal chief Zumwinkel's house at seven o'clock in the morning. To this day, it is not entirely clear how the media learned of the house search in advance, even though there is much speculation in this regard.

Sometimes the media were seemingly objective mediators of messages by all possible interest groups; sometimes they appeared to be the mouthpiece of German politicians who made their ideas known via the media (SZ, for instance, appeared to like citing "its" Federal Minister of Finance Peer Steinbrück, e.g. in SZ of 19 June 2008, 22, "Instruments of torture"); sometimes they appeared to want to release pent-up emotions and reported in a very biased or at least very polemic manner. The Liechtenstein side often had the feeling that it wasn't adequately heard, or only if the messages were meaty enough (e.g. the press conference of Hereditary Prince Alois and Deputy Prime Minister Klaus Tschütscher on 19 February 2008 in Vaduz and the subsequent media coverage). In any event, the media made a substantial contribution to the emotionality of the situation or at least did not help quiet down the situation.

The topics presented by the media and the processes in which the mass media were integrated will be described in more detail in Chapters 6.6 and 6.7.

→ Conclusion: As suspected, the mass media play a central role, whereby interaction with other actors was not a one-way street.

6.5.4 The active and passive audience
The active audience does not constitute a "group" in the group-sociological sense. Membership is defined by active participation in public opinion processes. In contrast to political actors or interest groups, the active audience cannot be subdivided into relatively homogeneous, organized units.

For instance, numerous lawyers were represented in the media. Presumably, their primary goal was to promote themselves. Academics were called upon to discuss the lawfulness of the acquisition of stolen data from a Liechtenstein bank and the utilization thereof by German authorities, and they offered many at times divergent comments on these questions (see Chapter 6.6).

The events surrounding 14 February and the Zumwinkel affair were used by many citizens as an occasion to express their opinion about the other actors in letters to the editor and e-mails. The opinions of those showing respect for Liechtenstein and its options for "bringing hard-earned money to safety" and the opinions of those believing it "outrageous" that "money was unlawfully being taken from the German State that it urgently needs for infrastructure and social institutions" were relatively balanced in terms of quantity (see also Chapter 6.7.2.4).

According to Capital of 28.2.2008 (p. 22), there were voices from Switzerland saying, "The Prussians are using their intelligence service to shoot at their citizens' money stashes." And the former German ambassador to Switzerland, Frank Elbe, said, "Not much respect for Liechtenstein has been shown lately."
The passive audience is the largest part of the audience, which usually remains politically passive and appears in statistics as bearers of the "public opinion". An example is a study among managers conducted by the Droege & Comp. management consulting company, which concludes that 59% of respondents are in favor of "levying lower taxes than now", and 60% are in favor of "making stronger use of the existing penalties than now" (Handelsblatt, 29.2.2008, 6).

→ Conclusion: The active audience had very different opinions, depending on the viewpoint from which the current case was observed.

6.5.5 Political actors

Political actors are representatives of the executive and legislative branches and are supposed to realize social goals and ideals. The determination of political priorities is influenced by the public opinion, and political actors in turn influence public opinion (see Eichhorn 2005, 154).

Institutions and interest groups may be linked with each other at different levels. The social role of politics allows it to access the media. In this way, the political system and all persons and institutions acting in its environment or in its name become a mighty actor in the definition of public agendas. Sometimes, the relationship is characterized by conflict – when the interest groups try to impose their priorities on the media – and sometimes by cooperation – when both have the same understanding of the problem or their interests coincide. This could be observed in the Zumwinkel case, when the cameras were already waiting in front of his home in order to broadcast his arrest. The public prosecutor's office (or whoever it actually was) apparently had an interest in publicizing its activity, and the mass media had the same interest. Practice moreover has shown that links at the individual level can be at least as effective when the goal is to make "one's own" topics public via the media (see Eichhorn 2005, 150) – for instance the statement launched by Federal Minister of Finance Peer Steinbrück in SZ of 19 June 2008 that one might "contemplate the use of torture instruments for Liechtenstein" (exact quote: "In the Grand Coalition, we are now thinking about penalties for tax offenses. For instance, imprisonment might be imposed more frequently than fines," p. 22).

While in the first few days, from 14 to 17 February, the main actors appearing in public were the Bochum public prosecutor's office and the mass media, the political actors were the ones announcing their opinions and interests in the tax affair via the mass media beginning 18 February. Within this group, we already see major differences in the "social objectives" represented here: not only diametrically opposed differences between the political actors in Germany and in Liechtenstein, but also within each of the countries. Chapter 6.6 discusses in more detail the topics associated with the "social objectives" that were expressed during the tax affair.

Political actors in Germany

Under the given circumstances, the following political actors can be identified:

- Government members (Federal Chancellor, Federal Minister of Finance, Federal Minister of the Interior, Federal Foreign Minister)
Federal Minister of Finance Peer Steinbrück was certainly one of the most prominent political actors on the German side during the tax affair. He made his goals and concerns known with clear statements: "It must be openly addressed what I believe are the framework conditions there that invite Germans to evade taxes. One can say that politely but firmly. [...] In my view, we have yet to discuss at the European level how to deal with tax havens." (Dow Jones, 20.2.2008). "We want to combat all tax havens in Europe." (idem, FAZ, 27.2.2008, 10). "This is not just about Liechtenstein. We are also talking about Switzerland, Luxembourg, and Austria." (idem, Handelsblatt, 26.2.2008, 6, and SZ, 26.2.2008, 7).

Also Federal Chancellor Angela Merkel spoke bluntly and very clearly represented the overall German interests in the cross-border tax question, but was somewhat more restrained in her choice of words that her ministerial colleagues: "I did not give Liechtenstein an ultimatum – I attach great importance to that – but I simply spoke politically about what would make sense. [...] I expect citizens to pay their taxes lawfully to their country [...] and I don't think it is good if Liechtenstein banks provide a certain incentive to break the law. [...] With regard to mutual legal assistance, I expect cooperation." (Dow Jones, 20.2.2008). This was taken up the following day by the Stuttgarter Zeitung: "We would not think it a good idea if the Liechtenstein credit sector provided a certain incentive to break the law." (21.2.2008, 6). "The objective is to comply with tax law in a country, and there are no exculpating exceptions." (Handelsblatt, 25.2.2008, 5).

Merkel and Steinbrück were supported in this regard by their Government colleagues, Federal Minister of the Interior Wolfgang Schäuble ("Tax havens don't fit with Europe", Handelsblatt, 29.2.2008, 6) and Federal Foreign Minister Frank-Walter Steinmeier: "This capital is needed for investments, such as in social and education policy and for schooling." (Handelsblatt, 29.2.2008, 6)

→ Conclusion: The main actor in the group of political actors, Federal Minister of Finance Peer Steinbrück, used unusually strong words, especially in light of international diplomacy, to draw attention to what in his view were unbearable abuses and to build up pressure on Liechtenstein via the media.

Representatives of almost all parties also expressed their views, although some emphasized the (self-critical) internal German side of the tax affair, rather than the European side. Peter Ramsauer from the CSU said, for instance, "Money does not flow to tax havens because the landscape there is beautiful, but because the tax policy landscape in Germany is really ugly. So we have to do our homework." (FAZ, 20.2.2008, 1).

And Michael Meister, Deputy Chairman of the CDU/CSU parliamentary group, also on behalf of other party representatives, located the problem elsewhere: "We need more tax investigators and corporate auditors, and we need better coordination between the states and the Federal Government." (Handelsblatt, 19.2.2008, 2). He was supported in this regard by the head of the Green party, Reinhard Bütikofer: "First of all, we need better resources for tax investigators at the federal level and strengthening of the special prosecutors." (FTD, 19.2.2008, 10). Max Stadler of the FDP said about the BND's approach: "The entire matter
passed over the oversight body." (SZ, 21.2.2008, 6) and "We do not want the intelligence services suddenly to be responsible for prosecuting tax offenses." (Die Welt, 21.2.2008, 3). SPD chairman Kurt Beck also spoke numerous times and got involved in the public discussion: "We have to define legal norms so that such people are brought to justice and public trials are conducted." (dpa-AFX, 20.2.2008). This statement apparently refers to rich tax evaders and should probably also be understood in the context of the local elections in Hamburg on 24 February 2008.

→ Conclusion: Numerous representatives of the political parties used the tax affair to score political points for themselves and their parties. Some exaggerated in this regard and had to take back their statements relatively quickly, such as SPD chairman Kurt Beck.

The BND, as an authority affiliated with the Federal Chancellery, can also be seen as a political actor; it played a central, but not uncontroversial, role in the tax affair. Various articles cited BND representatives in detail: "After careful legal review, the BND has decided to give the Federal Fiscal Authority the opportunity, by way of administrative assistance, to purchase the data." (Die Welt, 21.2.2008, 3); "We haven't reached the end of the flagpole yet by far." (Die Welt, 27.2.2008, 12); "Our staff still does not know what was stored on the data carrier." (FTD, 21.2.2008, 10); and "Never before has so much been claimed so widely about possible sources. This is disastrous, since sources are otherwise protected like the Holy Grail. This damages the work of the intelligence services for the long term. [...] There has to be a discussion about how confidential the cooperation between authorities can still be in future." (SZ, 26.2.2008, 1)

→ Conclusion: The publicity, most of which was negative, has enormously damaged the BND and recalled its inglorious role in the CDU donations scandal about ten years ago.

Political actors in Liechtenstein
The political actors in Liechtenstein in the case of the German tax affair include representatives of the (coalition) Government, representatives of the opposition (Free List) and the Princely House. The events described in Chapter 5.4, such as the press conference by Hereditary Prince Alois von und zu Liechtenstein and Deputy Prime Minister and Minister of Justice Dr. Klaus Tschütscher on 19.2.2008 in Vaduz, the official visit by Prime Minister and Minister of Finance Otmar Hasler in Berlin on 20.2.2008, the signing of the Schengen agreement by Prime Minister Hasler on 28.2.2008 in Brussels, to name only a few here, contributed to the prominent statements by these actors in the German mass media. Most of the statements criticized the way Germany had behaved toward Liechtenstein, defended the legitimate interests of Liechtenstein and its citizens, and pointed out that tax evasion by German citizens was primarily an internal German problem and most importantly that Liechtenstein had been engaged on a continuous path of reform for many years.

Prime Minister Hasler was especially concerned not to see bilateral relations endangered: "Naturally, we see increased pressure currently exerted on the Liechtenstein banking center. But we have done our homework, and the issues discussed in Germany have been around for years. [...] But we do not see a danger to the good bilateral relations between Germany and Liechtenstein because of the criminal activities of individuals." (Bild-Zeitung, 19.2.2008, 2).
And Justice Minister Tschütscher clarified: "German citizens certainly also invest black money in cars. But no one wants to ban cars for that reason." (SZ, 23.2.2008, 3) and "Legal certainty includes respect for privacy. […] Also in tax matters, Liechtenstein is based on a mentality of trust between citizens and authorities." (FTD, 25.2.2008, 25) and "It is more than incomprehensible that Germany mandated the EU Commission to conduct negotiations with Liechtenstein [i.e. on the EU Anti-Fraud Agreement that has been negotiated between the EU and Liechtenstein since the beginning of 2007], and then – during a phase of constructive talks – had its intelligence services purchase business secrets that had been obtained by a crime in Liechtenstein." (dpa-AFX, 19.2.2008). For "[…] if fraud should be identified, we are of course willing to grant mutual legal assistance." (Prime Minister Hasler, FAZ, 22.2.2008, 4).

→ Conclusion: The German media certainly provided space for representatives of the Liechtenstein Government, but a review of the documents gives the impression that pithier and clearer language would have helped publicity. Liechtenstein was clearly in the defensive role and did not have as close relationships with the media as obviously some German Government members did, whose opinions were reported verbatim in some media (see Steinbrück's demands for "instruments of torture" for States such as Liechtenstein, which were reported by SZ on 19 June 2008, p. 22, without comment, as if by a press office).

Paul Vogt, Member of Parliament of the Free List opposition party, summarized the situation as follows: "The scandal is shaking the foundations of the Liechtenstein financial center." (SZ, 27.2.2008, 30).

→ Conclusion: The Liechtenstein opposition was the only group in Liechtenstein that expressed (self-)critical remarks on the events and thus stabbed its own Government in the back in this international debate (see also final conclusions).

With his statements, Hereditary Prince Alois von und zu Liechtenstein certainly expressed the public opinion in Liechtenstein and received much domestic policy recognition for that reason. As Head of State, he can rely on access to the mass media when he speaks in public, as in the press conference on 19.2.2008, which he conducted jointly with Justice Minister Tschütscher. "A grossly exaggerated attack has been launched against Liechtenstein. […] Apparently, the goal is to deal in stolen goods on a massive scale." (Reuters, 19.2.2008) and "An international study has […] classified the German tax system as the worst worldwide – even worse than Haiti. […] The approach taken by the German authorities would not be protected by law in Liechtenstein." (Dow Jones, 19.2.2008) and "Is such an approach toward one of the smallest States in Europe [Liechtenstein is the fourth-smallest State in Europe, after Vatican City, Monaco, and San Marino] really compatible with the basic principles of the democratic rule of law?" (Börsenzeitung, 20.2.2008, 3) and "Germany will not solve the problem with its taxpayers by attacking Liechtenstein. […] Germany should instead invest its tax revenue in improving its tax system rather than spending millions on data whose legal usability is in doubt." (Handelsblatt, 20.2.2008, 4) and "In Liechtenstein, fiscal interests cannot trump principles of the rule of law." (SZ, 20.2.2008, 4)
The position of the Princely House on tax matters and international tax cooperation has long been known. Many still recall the following quote of Reigning Prince Hans-Adam II: "I can understand refugees from tax deserts, since they are in principle political refugees."

→ Conclusion: Thanks to the clear content and verbal bluntness of his statement in the press conference of 19 February 2008, Hereditary Prince Alois for once countered the harsh language coming from Germany and subsequently enabled the Government to appear moderate and to emphasize the otherwise good bilateral relations between Germany and Liechtenstein.

6.5.6 Different publics in Liechtenstein and in Germany

For reasons of space and clarity, the actors on both the Liechtenstein and German sides will be aggregated at a relatively high level of abstraction. Especially detailed and complex particular interests will not be taken into account here. The paper assumes a set of shared interests with which the various actors can be aggregated into larger collectives or publics, without interfering with the result of this examination.

The following table again provides an illustrative overview of the various actors and publics in Germany and Liechtenstein. Some of the actors within one of the five groups according to Eichhorn have totally different interests, depending on the country and system of which they are a part. They are therefore not homogeneous, as Eichhorn rightfully assumed within a single society. The political actors are a particularly salient example. In other cases, the interests within a group are more or less identical even across borders. A representative example of this is: members of the public writing letters to the editor, or the bankers associations in Switzerland, Germany and Liechtenstein which view investors themselves as responsible for the "tax honesty" of the money they invest.

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<thead>
<tr>
<th>Actors in Liechtenstein</th>
<th>Actors in Germany</th>
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<tr>
<td><strong>Interest groups / Financial public</strong></td>
<td><strong>Interest groups / Financial public</strong></td>
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<tr>
<td>Liechtenstein Bankers Association, LGT and LLB</td>
<td>Tax authorities and finance offices</td>
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<tr>
<td>Liechtenstein Association of Professional Trustees</td>
<td>Association of German Banks and individual banks</td>
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<td></td>
<td>German Taxpayers Association (with support by medium-sized businesses)</td>
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<td>German Tax Union</td>
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<td>Public prosecutors’ offices / courts</td>
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<td><strong>Mass media</strong></td>
<td><strong>Mass media</strong></td>
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<td>Nationwide print media in Germany</td>
<td>Nationwide print media in Germany</td>
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<td><strong>Active audience</strong></td>
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<tr>
<td>Legal academics, lawyers</td>
<td>Lawyers, academics</td>
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<td>Writers of letters to the editor</td>
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<td>Bavarian data protection commissioner, etc.</td>
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<td><strong>Passive audience</strong></td>
<td><strong>Passive audience</strong></td>
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<td><strong>Political actors</strong></td>
<td><strong>Political actors</strong></td>
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<td>Princely House</td>
<td>Government (Federal Chancellor, Federal Minister of Finance, Federal Minister of the Interior, Federal Foreign Minister)</td>
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<td>Government (Prime Minister/Minister of Finance, Deputy Prime Minister/Minister of Justice and Economic Affairs)</td>
<td>BND</td>
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<td>Opposition (Free List)</td>
<td>Political parties (SPD, CDU, CSU, Greens)</td>
</tr>
</tbody>
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Tab. 15: Different actors in Germany and Liechtenstein (Source: own illustration)
6.5.7 International political actors

Another group of political actors that should not be underestimated is that of international political actors, i.e. political actors that cannot be attributed to one of the two countries and also not uniformly to one of the five general groups according to Eichhorn. By international political actors, the author means political actors of countries other than Germany and Liechtenstein as well as European and international organizations and the active audience and interest groups in countries other than Liechtenstein and Germany.

With more or less direct statements, they represent the interests of their countries or organizations or, in some cases, paint an objective picture of the situation or of the problem actually underlying the whole excitement: "This makes clear how large the problem of international tax flight is in the era of globalization. This is a central issue in our increasingly interlinked world." (Angel Gurria, OECD Secretary-General, FTD, 28.2.2008, 11). OECD tax expert Grace Perez has a differentiated view: "Bank secrecy can certainly be legitimate. But no country should be able to create an advantage for itself in international tax competition on the basis of secrecy." (FTD, 28.2.2008, 11). The Director of the OECD Centre for Tax Policy and Administration, Geoffrey Owens, also sees an international dimension to the problem: "The Liechtenstein case shows that much work remains to be done. Tax havens are often only a mouse click away nowadays." (FAZ, 20.2.2008, 1). He also meant financial centers such as Singapore, which however adamantly defended itself: "Our country is not a tax haven, but rather a low-tax country. [...] What happened in Liechtenstein could not happen here." (George Young-Boon Yeo, Foreign Minister of Singapore, Handelsblatt, 29.2.2008, 6).

Other international political actors included members of the Governments of Luxembourg and Austria, two of a total of three EU member States (the third is Belgium) that are always exposed to criticism by their EU colleagues because they also maintain bank client confidentiality and do not grant mutual legal or administrative assistance in cases of pure tax evasion. They likewise demarcated their interests within the larger problem of "global tax flight" and "bank client confidentiality" in the mass media and thus came to the aid of one or the other side (probably not on purpose, but rather as a side effect, so to speak): "Not Liechtenstein is the tax offender, but rather the tax offenders have German citizenship." (Jean-Claude Juncker, Prime Minister and Finance Minister of Luxembourg, dpa-AFX, 19.2.2008) and "I see the need to ensure with the help of third countries that no tax flight is possible in Europe." (idem, Dow Jones, 19.2.2008). "Third countries" probably refers to Switzerland and Liechtenstein.

The finance expert of the Austrian People's Party (ÖVP), Michael Ikrath, provides defense and support in this regard: "We will defend Austrian bank secrecy with all means." (FTD, 22.2.2008, 12). And the Danish Finance Minister, Kristian Jensen, indirectly supports Liechtenstein by assuring: "We do not plan to use stolen data. [...] It is a moral problem to pay a criminal for information he has stolen." (Die Welt, 27.2.2008, 1)

→ Conclusion: International political actors also play an important role in a supposedly purely bilateral dispute and can influence public opinion.

In summary, one can say that the identification of actors, especially in view of their appearance in the examined media, make focused target-group-oriented communication and
more targeted stakeholder management possible. It should thus enjoy greater attention in future as a valuable aid.

6.6 Functions
The two most essential functions that Eichhorn mentions in his book are:

- the definition of issues, and
- the synthesis of issue structures

The definition process, which always only concerns individual issues, separates central from peripheral aspects and at the same time establishes a framework for a problem area. The synthesis process, in contrast, concerns the entire issue structure. Individual issues are consolidated into larger structures with which social groups can identify. Within the structures, priorities are established depending on significance. The significance of an issue in turn results from how much detail the various publics invest in its consideration. Specifically, this is shown in the attention shown to an issue by the mass media, the linking of issues with powerful and well-known actors from politics and business, the scale of mobilization of the active population, and lastly the resonance among the broad public (see Eichhorn 2005, 154f). However, there is no generally applicable concept for the influencing of issues.

Issues have an expiration date – international issues even more than national issues – especially when there are no new events surrounding the issues. Conversely, one can conclude: with the help of continuous new events – either "random" events or events one has staged oneself – an issue can be maintained. This was seen during the hot phase of the tax affair: the visit by Prime Minister Otmar Hasler to Federal Chancellor Angela Merkel on 20 February, the visit by Prince Albert of Monaco in Berlin a week later, and the signing of the Schengen-Dublin agreement by the Prime Minister in Brussels on 28 February certainly contributed to more intense coverage than would have been the case without these events.

In light of the complexity of the issue and the many facets that surfaced in the media reports, the key questions are: "What is the actual issue? What was really at stake? What is the larger issue structure into which the individual issues can be consolidated? Can everything be consolidated into a single large issue?" This question is considered in Chapter 6.6.2. But first, individual issues should be filtered out.

6.6.1 Definition of issues
Based on the analysis of the media coverage in Chapters 6.2 and 6.4, the following eight most essential issues can be filtered out. Of course, other issues relating to the tax affair also exist that were taken up and discussed by the media, such as the data theft at a second Liechtenstein bank, the Liechtensteinische Landesbank (LLB); the investigations against the BND informant, Heinrich K.; the visit by Prince Albert of Monaco to Berlin a week after the visit by Prime Minister Hasler to Berlin; but also the Europe-wide investigations against tax evasion that began the end of February, since the United Kingdom was also in possession of the LGT data and the BND was considering giving the data to other European countries that had expressed interest as well. But this paper will restrict itself to the most essential issues. Every issue is substantiated with paradigmatic quotes or article headlines.
**Issue: "Fight against tax evasion in Germany"**

This was one of the most essential issues relating to the tax affair, which was a constant theme throughout the media reporting.

First of all, there was an obvious interest in Germany – for whatever reasons (see also Chapter 6.9) – to keep the interest focused on Liechtenstein to the extent possible, with at times hard-line rhetoric. Initially, Liechtenstein was referred to as a "den of thieves", a "modern form of robber barons" or even a "rogue State". This offered a breeding ground for proposals to increase the penalties for tax evasion from 10 to 15 years. But not everyone agreed to this attitude and approach. A comment in a letter to the editor in SPIEGEL 9/2008 represents many voices from Germany that were also expressed in e-mails to the Liechtenstein Government: "The call by our politicians for higher penalties for tax evaders is embarrassing and demeaning. The incitement to public persecution, the parading of individuals – solely with a view to getting more votes – is indecent and disgusting, since the politicians themselves are up to their elbows in the pie. Germany as a business location itself is threatened by the tax legislation."

Some interest groups took the tax affair as an occasion to treat the symptoms within Germany and to get a grip on the problem of tax evasion. The German Confederation of Trade Unions and politicians demanded more staff for the tax authorities: "We need more tax investigators and corporate auditors, and we need better coordination between the states and the Federal Government." (Michael Meister, Deputy Chairman of the CDU/CSU parliamentary group, Handelsblatt, 19.2., 2) or "First of all, we need better resources for tax investigators at the federal level and strengthening of the special prosecutors." (Reinhard Büttikofer, head of the Green party, FTD, 19.2., 26). The headline of the Tagesspiegel on 20.2.2008 (p. 4) read: "The prosecution pressure must increase."

In any event, the tax affair was an occasion for conducting a controversial discussion in Germany about possible simplifications of the tax system. While Federal Minister of Finance Steinbrück (SPD) categorically rejected this suggestion, Bavarian Minister of Finance Huber (CSU) and FDP tax expert Solms, along others, demanded radical simplifications of the German tax system (dpa, 24.2.2008). In the case of tax evasion by Klaus Zumwinkel, the goal was apparently to achieve an effect on other tax evaders, even though certain claims had to be taken back rather quickly: At eight o'clock in the morning, the news spoke of tens of millions in taxes that allegedly had been evaded. By five o'clock in the afternoon, that sum had been reduced to a million euros. This is certainly still a lot of money, but not enough for a "public execution in the media". What happened to the presumption of innocence? The uneasy feeling persists that the nationally renowned Klaus Zumwinkel was being used as a public deterrent. The search of Zumwinkel's home was nothing other than a modern media pillory, which even the otherwise serious FTD published on 25.2.2008 (p. 26): "Eventually, the tax investigators catch everyone."

**Issue: "Tax competition vs. tax harmonization"**

The topic of tax evasion in Germany in a broader sense, with a view to the degree of tax honesty in Germany and other European countries, was initially at the surface and primarily an issue in the mass media. But in fact, an entirely different, larger and global issue was hidden behind it, namely tax competition vs. tax harmonization. For example, Euro am Sonntag (2.3.2008, 22) wrote under the headline "Engaged in global competition": "Tax flight
is an international phenomenon that cannot be fought in a single country. Capital flows through complex financial structures which generally have no fixed location in the globalized world, either in a technical or legal sense."

Low-tax countries have long been a thorn in the side of high-tax countries in Europe. The OECD efforts and the black list of "uncooperative countries in tax matters" are based on this well-known dispute. Under the headline "OECD aims to increase pressure on tax havens", the Börsen-Zeitung reported on page 1 about the demands of Jeffrey Owens, Director of the OECD Centre for Tax Policy and Administration.

The political and economic policy details must be left out here, since they would go beyond the scope of this paper. But these questions must be kept in mind in order to understand the various statements by political representatives in the media. Some certainly consider dramatic means: "I am thinking of the possibility of making business with Liechtenstein considerably more difficult – with the goal of making it no longer attractive to do business with Liechtenstein." (FTD, 25.2.2008, 9)¹

**Issue "European agreements"**

In the first few days, much was made of European agreements that Liechtenstein had not yet concluded or joined, first and foremost the 3rd EU Money Laundering Directive, which Liechtenstein was then in the course of implementing domestically and which Germany had also not yet implemented, as well as the Schengen-Dublin agreement, signature of which by the Liechtenstein Prime Minister had long been scheduled for 28.2. in Brussels (FAZ, 22.2.2008, 13, interview with Prime Minister Otmar Hasler, and Frankfurter Allgemeine Sonntagszeitung on 24.2.2008, 38).

Among other threats, Peer Steinbrück threatened to tighten savings taxation via the EU.² As was to be expected, this met with "restrained responses" among European colleagues (FAZ, 5.3.2008, 11). Luxembourg Prime Minister and Minister of Finance Jean-Claude Juncker commented: "I am looking forward to many years of fascinating debate."

After signature of the Schengen agreement in Brussels by Prime Minister Hasler on 28.2.2008, the German media reported in detail the following day: "Open door for Liechtenstein" (SZ, 29.2.2008, 7), "Clear path to Vaduz" (Berliner Zeitung, 29.2.2008, 6). But there were also critical voices, such as "Liechtenstein's accession to Schengen called into question" (FTD, 23.2.2008, 11).

**Issue: "German-Liechtenstein relations"**

In the context of the official visit by Prime Minister Otmar Hasler to Berlin on 20 February, this issue was the focus of media reporting. This can be explained in light of the fact that the relations between the two countries have long been very good, but also always a bit sensitive. After the initial clear words on the Liechtenstein side (Hereditary Prince Alois and Justice Minister Tschütscher at the press conference on 19.2.) directed to the neighbor to the north,

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¹ Since 1995, Liechtenstein has been a member of the EEA, which provides for the free movement of capital (note by the author)
² The EU Savings Tax Directive has applied to Liechtenstein since 1 July 2005.
asserting that Liechtenstein did not appreciate the way Germany had approached the tax affair, there were equally clear words on the German side (e.g. SPD chairman Kurt Beck, who found the "Liechtenstein statements simply inappropriate" and said that Liechtenstein should behave the way that was expected of civilized States, quoted by Reuters, Dow Jones and dpa on 19.2.2008). Die Welt described this approach on 21.2. with the headline "Diplomacy with a hammer". Afterwards, both Federal Chancellor Merkel and Prime Minister Hasler made a distinction between the otherwise good relations between the two countries and the current dispute that had to be resolved.

**Issue: "Legality of data procurement"
**

Already a few days after the beginning of the "tax affair", FAZ wrote: "Such a production is without precedent; this is not a triumph, but rather a defeat for the rule of law. [...] Should the German State be able to enforce its tax claims by illegal means? What signal does this questionable behavior by the State send, which is even being used by politicians to appeal to morality and decency and to remind managers of their function as role models?" (FAZ, 22.2.2008, "State, tax, and morality", 13).

Under the headline "Germany has a spy" (p. 34) on 21.2.2008, Stern dedicated a major article to the question of information procurement.

In his throne speech on the occasion of the opening of Parliament on 21.2.2008, Hereditary Prince Alois discussed the protection of privacy in detail. However, this was not reported to the same extent in the German media as his speech at the press conference two days earlier, on 19.2.: "The protection of privacy and property should be strengthened at the same time that mutual legal assistance is optimized. In particular at a time when other States are interfering more and more heavily with the privacy of their citizens, and even go so far as to pay millions for stolen data, the need of citizens for strong protection of their privacy is great."

Academics were called upon to discuss the lawfulness of the acquisition of stolen data from a Liechtenstein bank and the utilization thereof by German authorities, and they offered many at times divergent comments on these questions: "The relevant provisions stipulate that the BND can only transmit information to public prosecutors, the police and Military Intelligence if very grave crimes have been committed." (Jürgen Wessing, lecturer in tax law, University of Düsseldorf, Handelsblatt, 19.2.2008, 2) versus "Pursuant to the tax code, the BND staff even had an obligation to forward the information they obtained within the framework of their general execution of duties." (Ulrich Sieber, German tax law expert, Max-Planck Institute in Freiburg, Handelsblatt, 21.2.2008, 3) or "The State may not use illegally obtained information. That would be as if a surgeon were to operate with dirty instruments." (Jürgen Wessing, lecturer in tax law, University of Düsseldorf, FAZ, 22.2.2008, 14).

**Issue: "Bank client confidentiality"
**

"Bank client confidentiality, as regulated by law in Switzerland and Liechtenstein and protected by criminal penalties, is not profit-maximizing tomfoolery, but rather the expression of a free and liberal philosophy of the State that values the individual more highly than the State, voluntariness more highly than coercion, and differences with respect to ideas, temperament, capacities, predilections, circumstances of life, but also income and wealth more highly than uniformity," the NZZ summarized on 1/2.3.2008 (p. 23) in its article "Bank secrecy is not tomfoolery."
The issue of bank client confidentiality is also closely linked to the issue of Liechtenstein foundations. Much ignorance and many half-truths exist in this regard. The FAZ (20.2.2008, 2) was one of the very few media that wrote a balanced article on Liechtenstein foundations under the headline "You have to pay taxes where your sofa is". The article refers to the risks and advantages of Liechtenstein tax law and the fact that Liechtenstein foundations should not "automatically be equated with tax evasion".

The FAZ printed an interview conducted with Prime Minister Hasler on 22.2.2008 in a prominent location (pp. 1 and 4) under the headlines "Privacy remains a fundamental right" and "I stand by our foundations".

Issue: "Functioning rule of law in Liechtenstein"

Immediately after the press conference by Hereditary Prince Alois and Justice Minister Tschütscher on 19 February, two essential aspects dominated the agency reports and subsequently the print media reports:

- Liechtenstein insists upon its independence as a sovereign State and as an active, reliable and predictable member of the international community. The country defends itself against campaigns as currently waged by Germany.
- Liechtenstein has effective control mechanisms for protecting against tax evasion and will continue to refine them. Additional measures have long been planned and will also be discussed the following day in Berlin during the visit by Prime Minister Hasler.

The issue or question of "How does a small State with 35,000 inhabitants, i.e. the size of a small German town, work?" is often raised in numerous interviews and is the subject of background reporting on the Principality of Liechtenstein written by journalists who are physically present in the Principality for the first time and thus gain an authentic picture of the location, the country, and its population. Most are astonished by what they find and revise their previously cultivated opinions and prejudices.

Various media describe the domestic political situation in Liechtenstein and paint an atmospheric picture: "Quiet people of the Alps" (Die Zeit, 21.2.2008, 21), "Gallows humor in the Principality" (Die Welt, 21.2.2008, 3). Other media reports try to draw a general picture of the otherwise little-known Principality: "More banking clients than citizens" (SZ, 20.2.2008, 6), "Liechtenstein: More than twice as rich as Germany" (Berliner Morgenpost, 20.2.2008, 3), "Cautious" (FAZ, 20.2.2008, 10) or "Built on money" (SZ, 26.2.2008, 20), a brief portrait of Liechtenstein.

In "My Liechtenstein" (FAS, 24.2.2008, 38), Martin Frommelt, editor-in-chief of Radio Liechtenstein, says in a "reply" that Liechtenstein lives off a "diversified national economy", not tax evasion.

**Issue: "Trust vs. greed, morality and ethics"**

This case affects questions of trust. Trust of clients in the Liechtenstein financial center, trust of German citizens in their State, but especially also trust of and in the employees of Liechtenstein banks. "Every well-managed bank must carefully select all employees with access to sensitive data," said the Secretary General of the Swiss Private Bankers Association, Michel Derobert, in the FAZ of 27.2.2008 (p. 12).

In Germany, however, the discussion is not about questions of trust, but rather of greed, morality, and ethics. The relationship of trust between the citizens and the State are hardly addressed. This is a topic that is extremely important to Liechtenstein policy and Liechtenstein citizens. In response to the statement by Hereditary Prince Alois that Germany has one of the worst tax systems in the world – "even worse than Haiti" – (press conference of 19.2.2008), the German Minister of Finance responded that Germany could lower its tax rates if not so many Germans were to defraud the State (FAZ, 25.2.2008, 13, "The foundation affair reaches Britain").

The public call by Peer Steinbrück to Swiss bank employees (and presumably also Liechtenstein bank employees) to send private data concerning (German) clients of Swiss banks to his ministry was counteracted in an open letter by the chairman of economiesuisse (the umbrella organization of the Swiss private sector), Gerold Bührer: "Dear Mr. Federal Minister [...] these statements do not fit the image of our shared legal culture." (FAZ and NZZ, 7.3.2008).

The letter to the editor written by a German citizen living in Liechtenstein expresses the feelings of many other citizens: "I do not think that the German Government has the right to spread so many half-truths about Liechtenstein until the ever increasing grievances in Germany have been remedied." (Liechtensteiner Vaterland, 11.4.2008, 10).

This thought is presented in the feature pages of FAZ already on 17.2.2008 (p. 31) at another level: "Can the poison of illegal money still be controlled with appeals or codes of conduct? Aside from the success of the Liechtenstein operation, the State stands there like the imbecile Wile E. Coyote who is always bumbling after the elegant and superfast Road Runner. We are waving volumes of laws that answer 'meep meep'."

### 6.6.2 Synthesis of issue structures

The different interests of the various actors surface during disputes in social communication in the form of issues. These issues in turn compete for attention of the public, in the media, and among political decision-makers [...] and must therefore be reduced in terms of complexity, in order to have a better chance of being heard. This reduction of complexity [...] concerns individual issues as well as the entire issue structure.

The process begins with the interest groups, which seek out public attention for their concerns and thus define and delineate the issues as clearly as possible. The mass media, which are faced with an excess supply of information, further simplify these issues and reduce complex relationships into formats that fit into two newspaper columns or three-minute reports. Mass media – like the other levels of the system of publicity – also reduce the complexity of the
entire issue structure, however, by dedicating more attention to certain topics than others. The same is true of the political system (see Eichhorn 2005, 149f).

Already at the end of February, Federal Minister of Finance Peer Steinbrück announced the true target of the entire operation: "This is not just about Liechtenstein. We are also talking about Switzerland, Luxembourg, and Austria. We want to combat all tax havens in Europe." (FTD, 25.2.2008, 9).

The FAZ of 20.2.2008 ("Trillions flow to tax havens", 1) summarized vividly that the goal is to find a sensible approach toward the approximately 60 offshore centers, since an estimated USD 5 trillion are managed there. The OECD sees a major change in international financial flows in this regard. Allegedly 90% of investments in India originate in the Mauritius financial center. Two thirds of the money invested in Cyprus was invested in Russia before the Mediterranean island joined the EU. So this is not simply about the economic interests of Germany on the one side and Liechtenstein and Switzerland on the other. The greater picture is also not just about tax evasion, but about the worldwide protection of legally acquired and invested assets from corruption and State terrorism.

**In summary**, one can say that there are essentially **two major issue areas** under which the abovementioned eight individual main issues (in the view of the author) as well as the other issues can be structured.

Between the two States of Germany and Liechtenstein, the issue is that of **tax evasion** by German citizens with the help of legal instruments and institutions available to Liechtenstein.

Between Liechtenstein and the international community as well as between Germany and the international community – represented by organizations such as the EU, OECD, etc. – the issue is that of treaty rules, i.e. agreements, that mutually govern the various **transnational tax questions**. If we further summarize the issue structure using a single term, the major issue is that of **"taxes"**.

**The choice of words in the dispute**

It is interesting to observe the rapid development of the personified "Zumwinkel case" (14.2.) into a "Liechtenstein affair" (already on 15.2.) and finally a "Liechtenstein scandal" (at the latest starting Monday, 18.2.). According to SPIEGEL online of 18.2.2008 ("The BND treasure"), this was an "economic detective story like never before in Germany." The language exhibits sensationalism – also on the part of the media: 30 house searches on Monday, 18.2.2008 even induce the otherwise rather restrained NZZ to print the headline: "Unprecedented hunt for German tax evaders".

With respect to strong language, the representatives of both countries have nothing to reproach each other with. While the German Minister of Finance spoke of "thumb screws" he wanted to use against Liechtenstein (Reuters, dpa, 22.2.2008), such as a source tax on money transfers to Liechtenstein, Hereditary Prince Alois spoke of "dealing in stolen goods on a massive scale". These statements stick. The question can even be legitimately raised whether it was not in fact this word choice that attracted the media coverage and that gave Liechtenstein, which otherwise was hardly heard from, the possibility of positioning itself in a prominent place in the media with its own statements.
This language was in part criticized by colleagues from the same political party in Germany. Former Federal Minister of Economics Clement (SPD) accused his party of "bullying" and was cited as saying "it is certainly problematic that we are adopting a tone toward Liechtenstein that sounds as if we are ready to march in" (dpa, 22.2.2008). How true that was could be seen in various headlines over the following days: the FAZ headline on 23.2. was: "Steinbrück threatens Liechtenstein" (p. 1). The WAS's headline on 24.2.2008 read "German aircraft carriers off the coast of Liechtenstein". Even on 3 March, FTD's headline was "Berlin plans attack on tax havens" (p. 9).
The SZ also reported that not all politicians endorsed the word choice of SPD chairman Kurt Beck (21.2.2008, 6).

However, not only Liechtenstein was the target of such strong language, but also Austria, Switzerland and Luxembourg. Not a single word was wasted on the United Kingdom and its trusts, however, which in principle can be used just the same for tax evasion. And it was even the British Government which ensured that the EU savings tax only covered natural persons, but not legal persons.

### 6.7 Processes

Reality shows that the process of framing of issues is extremely multilayered. Models of a simple interdependence of media and the general public are inadequate. The framing of issues is undertaken in an extensive, complex communication process that occurs between the individual actors such as the media, politicians, and other interest groups and that each of these groups wants to participate in shaping.

In this regard, the mass media have the important task of reducing complexity and painting a structured, manageable picture. Many issues of importance to political actors are complicated and complex, as is the case in the tax affair. Over the course of this process, priorities are established, and events and facts that are considered unimportant are omitted. Through the process of selection, aspects of social or global reality that are to become the object of public opinion are separated from those that are not to be considered. The danger exists that extreme simplifications and omissions result not only in a manageable picture, but also distort realities and give rise to a completely different picture than one that corresponds to reality. Through the process of framing, individual events and issues are placed in a context of meaning, i.e. in a *frame*. Framing gives media consumers the possibility of classifying individual issues in a greater context and classifying new events accordingly (see Eichhorn, 2005, 129).

#### 6.7.1 Background of the tax affair

In the case of the tax affair, the background at the European level with respect to transnational tax questions had already been prepared for years. One need only recall the OECD discussion on tax competition vs. tax harmonization, or athletes and companies that "emigrated" for tax reasons and made the headlines for that reason.

In Germany, the background had been prepared for months, with discussions concerning inordinate manager salaries that were paid out to managers as "golden handshakes" even when they utterly failed, the "poor-rich debate", the German *Landesbanken* affected by the
subprime crisis that had to be helped up by the State with millions of euros of tax money, especially the IKB.

Also in the international relations between Liechtenstein and Germany, a known background already existed and the soil was not unprepared. For years, Liechtenstein has been and continues to be criticized because of its low taxes for enterprises and holding companies as well as for its legal instrument of the foundation. The Liechtenstein financial center, like the Swiss financial center, was known for its traditionally excellent financial services, and its discretion which was manifested in bank client confidentiality. For instance, Jews were able to save their assets and often their lives from the Hitler regime by placing their money in the discreet Swiss and later Liechtenstein financial center. Securing assets in a way that deprives the State of its legitimate revenue is now no longer tolerated. That Liechtenstein has no interest in enriching itself at the expense of others was repeatedly emphasized by the Government and was shown in practice with its signature of the EU Savings Tax Agreement in 2004, which entered into force on 1 July 2005. Former German Minister of Finance Hans Eichel expressed his dismay at the Liechtenstein situation using the unflattering term "maggot in the bacon".

6.7.2 Influences on the issue structure

The processes of framing of issues by the media do not occur independently of other actors, all of whom are trying to garner attention for "their" issues and assert their interests. The question therefore arises who ultimately sets the agenda and what actors, especially politicians and interest groups, are able to place "their" issues and frames in the media and thus gain public attention and keep it for the long run.

The influences on the issue structure occur at different levels of intensity. Eichhorn distinguishes four types of processes in this regard, as already discussed in Chapter 2.4.4: interactive processes between actors "which can communicate with each other in manageable arenas"; focused influence processes, i.e. "intentional acts that target not individual actors, but rather institutions"; unfocused influence processes, "which target a mass audience or sub-audiences"; and the latent influences emanating from the audience as a whole (Eichhorn 2005, 155).

The reporting of the mass media, the "targeted reconstruction of the social environment in the media", influences the public and the other actors; conversely, the results of the reporting – such as reactions by the public to the reporting – in turn influence the mass media (see Eichhorn 2005, 156). Media reporting is thus, according to Eichhorn's model, a central carrier of the framing-of-issues process. This is also the experience of the author of this paper.

6.7.2.1 Interactive processes

The category of interactive processes includes the working talks between Liechtenstein Prime Minister Otmar Hasler on the one side and German Federal Chancellor Angela Merkel and Federal Minister of Finance Peer Steinbrück on the other side on 20 February 2008 and Federal Minister of the Interior Wolfgang Schäuble on 19 February 2008. These were interactive processes, which substantially influenced the framing-of-issues process through a
press conference of the Federal Chancellor and the Prime Minister of 20 February and the subsequent media reporting. With the comment by Merkel that "we will not get harmonization of tax law" (SZ, 20.2.2008, 1), the issue of tax law at the European level is brought into the media for the first time and is subsequently discussed more intensively.

After his talks with Prime Minister Hasler, Federal Minister of Finance Peer Steinbrück adopts a similar tone: "In my view, we will ultimately have to discuss at the European level the question of how to deal with tax havens." (Dow Jones, 20.2.2008). The issue of bilateral relations and how to deal with each other in the main case were discussed directly in public for the first time after these talks, contributing – at least at the highest political level – to a more matter-of-fact tone in the tax debate and to an elevation of the discussion to the European level, as was certainly also Liechtenstein's intention. "I did not give Liechtenstein an ultimatum – I attach great importance to that – but I simply spoke politically about what would make sense." And: "With respect to mutual legal assistance, I expect cooperation." (Federal Chancellor Merkel, Dow Jones, 20.2.2008). The EU Anti-Fraud Agreement, which precisely concerned the cooperation demanded by Merkel and Steinbrück, was also included in the media's list of issues after these working talks, remaining there in light of the ongoing negotiations, the content of which was concluded on 27 June 2008. The desire expressed in public by Angela Merkel on 21 February, "We wish and expect that these negotiations will also be conducted rapidly and that we reach a conclusion here as well." (Handelsblatt, 21.2.2008, 3), was thus fulfilled even more quickly than expected. It was also Federal Chancellor Merkel who brought up the comparison of Europe with the United States with respect to mutual legal assistance in tax matters: "What is possible in the US should also be possible in Europe." (Die Welt, 21.2.2008, 1)

In an interview a few days later, Federal Minister of the Interior Schäuble refers directly to the working talks with Prime Minister Hasler on 19 February: "In principle, the Federal Government is willing to ratify the Schengen protocol by the end of the year as planned. [...] But of course Liechtenstein will have to fulfill the promises made by the Liechtenstein Prime Minister." (Handelsblatt, 29.2.2008, 6). Liechtenstein's ambassador to the EU in Brussels, Prince Nikolaus von und zu Liechtenstein, had announced in the media a few days before: "We assume that the Schengen agreement will be ratified as planned." (FTD, 21.2.2008, 10).

Additionally, numerous interviews and background talks took place between Liechtensteiners (representatives of the Government, Parliament, the Bankers Association, the Chief Public Prosecutor, private persons asked on the street) and representatives of the German media that were reflected in the media. These interactive processes at least entailed that the Liechtenstein positions were reflected in the media and that detailed reports on the Principality of Liechtenstein – which was largely unknown beyond its financial center – were published (e.g. FAS, 24.2., 14 "The countersigner" and 38 "My Liechtenstein"). For other reports, see Chapter 6.6.1.

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1 This refers to the granting of mutual legal assistance in cases of pure tax evasion (note by the author).
2 This refers to the granting of mutual legal assistance in tax matters, which Liechtenstein agreed in a Mutual Legal Assistance Treaty with the United States in 2003. However, the tax situation governed by the Internal Revenue Service (IRS) at the federal level in the United States is not comparable to the situation in Europe, where the 27 member States of the EU have completely different tax systems (note by the author).


### 6.7.2.2 Focused influence processes

In the definition of Eichhorn's model, the joint press conference held by Hereditary Prince Alois von und zu Liechtenstein and Deputy Prime Minister Klaus Tschütscher on 19 February 2008 was a focused influence process, which — probably because it was the first public statement by the Liechtenstein leadership and because it was unexpectedly blunt — was reported widely and prominently in the German media. According to long-serving local journalists, there had never been as much media presence at a press conference or similar event in Liechtenstein. The purpose of the press conference was to present Liechtenstein's official position to an audience that was as broad as possible, especially in Germany, and to make Liechtenstein's interests clear to German political actors, as well as to give a forceful signal domestically — to the Liechtenstein people, who were outraged because of the German conduct and many of whom saw themselves as victims or as David versus Goliath — that the State leadership would defend the sovereignty of the small State and would not meet what had occurred with inaction.

This intent was successfully implemented — from the perspective of the actors in Liechtenstein — even though from another perspective the mood was further heated up (see Chapter 6.6.2 "The choice of words in the dispute"). For instance, dpa-AFX cited the Government of Liechtenstein on the same day as saying "German authorities apply draconian methods inimical to the rule of law." On 19.2.2008, dpa-AFX quotes Justice Minister Tschütscher as follows: "We are currently undertaking legal inquiries with respect to the bank data illegally obtained in Liechtenstein." And with regard to the statements by German tax investigators that "nobody can clean house so thoroughly that we can't find anything", which Bild had prominently published on the morning of the press conference (Bild, 19.2.2008, 2), Tschütscher said: "This jargon reminds me of my childhood when the tank-busters said something similar. But we're here in Liechtenstein, not in Duckburg." (Die Welt, 20.2.2008, 19). The next quote published in FTD on 25 February (p. 25) is also a clear statement directed at Germany, but also at Liechtenstein's own financial center: "The Germans are telling us to take our product off the market. But we will resist."

One cannot try to influence an issue structure in a more focused way than Hereditary Prince Alois did with his statements at the press conference: "Germany cannot solve the problem with its taxpayers by launching an attack on Liechtenstein. [...] Germany should instead invest its tax revenue in improving its tax system rather than spending millions on data whose legal usability is in doubt. [...] We will review legal steps to protect our citizens and also investors who trust us from such investigative methods, which are not covered by law in Liechtenstein." (Handelsblatt, 20.2.2008, 4). With these statements, Hereditary Prince Alois expressed the emotions of much of the Liechtenstein population and garnered praise within the country: "The strong speech of the Hereditary Prince was well-received by the people in Liechtenstein." (Mario Frick, former Prime Minister, FTD, 22.2.2008, 12). With the statement that "It is certainly a crisis when one is attacked by a major State" (SZ, 20.2.2008, 1), the events were placed in a greater contemporary historical context from the perspective of Liechtenstein and drew attention to the vulnerability of the small State.

A clear, focused influence process also took place within Germany between the tax investigators and German taxpayers: "Everyone should still have enough time to turn themselves in." (Bild, 19.2.2008, 2). The following statements by tax investigators appear
intimidating at the very least— whether deliberately or not — and may have contributed to the behavior of at least some taxpayers: "It is only a question of time until the first prominent names come out. [...] The issue has been circulated in the media to an extent that nobody can claim ignorance." (Handelsblatt, 19.2.2008, 2). Also: "At that time", we relied on the participation of the accused. We don't need that this time, since we have everything." (SZ, 21.2.2008, 6). With respect to the latent dissemination in those days of the suspicion that tax investigators had alleged perpetrators on their lists who had evaded many times the sum of Zumwinkel, the Handelsblatt cited "tax investigators" on page 1 on 22.2.2008: "Zumwinkel is small-fry in comparison." The Bochum senior public prosecutor's office ultimately also addressed its statements to the German taxpayer: "When a person must expect that he has been objectively found out, then the law no longer provides for exemption from punishment." (dpa-AFX, 19.2.2008).

6.7.2.3 Unfocused influence processes

If we assume that unfocused influence processes are directed at a mass audience or sub-audiences (see Eichhorn 2005, p. 155), then all publications of the mass media must be counted as unfocused influence processes. In the period from 14 February to 31 March 2008 alone, the media clipping service Argus shows that there were approximately 1,100 articles and commentaries in German print media (see Appendix II). Not even all articles are included.

6.7.2.4 Latent influences

The audience here is considered to be the general population which does not actively engage in the debate on events in a media-relevant form. The latent influence on the framing-of-issues process emanating from the audience – in the current case, the Liechtenstein and German population – was in part reflected in the media reporting. Through surveys and interviews of randomly selected citizens on the street, their opinions found entry into the issue structure, so that the weak interactive processes between passive audience and mass media as well as between passive audience and elite audience, as included in Eichhorn's model, appear justified, proving that the level of publicity – of "random" or at least one-off encounters – are not without effect (see Eichhorn 2005, p. 156). Other encounters can also be seen, at least in the first few days, in the numerous e-mails to Liechtenstein institutions and organizations. Between extreme statements such as "[...] we think it is disgusting how you live as parasites in the middle of Europe [...]" and "[...] I can only express my congratulations for the reaction to the attacks from Berlin [...]" and "Please do not let yourself be blackmailed by German authorities" (e-mails to the Liechtenstein Government in February 2008), there was an entire spectrum of nuances of support and approval or criticism and concrete accusations. These were not without effect on the Liechtenstein addressees, who recalled these e-mails when speaking to the media. In Germany, the broad audience – the population – also expressed itself in surveys and media articles, especially concerning manager salaries and the poor-rich debate in the broadest sense – an issue that was not new, but that received new momentum through the events surrounding 14 February.

1 in the Batliner case in 1999 (note by the author).
Subprocesses
As already mentioned in Chapter 2.4.2, Eichhorn's model only subdivides the "elite audience" sphere. The two other spheres "mass media" and "passive audience" are viewed as homogeneous units. This also appears sufficient for the scope of this paper. According to Eichhorn, it is useful however to subdivide the media in accordance with the different target groups (see Eichhorn 2005, 157). This was done by Liechtenstein's communication work to the extent that greater attention was paid to prioritizing inquiries from news agencies, whose target groups are the media, both elite and specialized as well as popular media. This paper deliberately refrains from further differentiations among the media in accordance with target groups, since this would go beyond the scope of the paper. Sources used were German, generally nationwide print media and news agency. That the inter-media agenda-setting process (see also Chapter 2.4.4) actually did work in the examined case is seen by the media coverage in the observation period in general. With respect to the definition and framing of issues in the media coverage, there were essentially no "outliers", other than the basic political line of certain print media (e.g. SZ).

6.8 From social framing of issues to transnational framing of issues
As we have seen above, transnational framing of issues – unlike social framing of issues – takes place in (at least) two societies, not just one (see Fig. 8). Transnational communication generally concerns two States. As this paper has – surprisingly – shown, however, other States or organizations are usually also involved. In her model of transnational framing of issues, the author calls these three areas – States and organizations – arenas (for more on the term "arena", see Chapter 6.9). In the case investigated here, the three arenas are Germany, Liechtenstein, and International.

Fig. 8: "Transnational framing of issues" model (Source: own illustration)
Within these three arenas, the **actors** acting are those we have already found in the model of social framing of issues according to Eichhorn: interest groups, political actors, mass media, active and passive audience. In this paper, we have noted the following special features:

1. In the arena "Germany", we actually find all five groups of actors.
2. In the arena "Liechtenstein", we find all groups of actors except the mass media. The mass media do exist, but as seen in Chapter 4, they only have influence within Liechtenstein, not in other arenas.
3. In the arena "International", we find all groups of actors, but the mass media and the active and passive audience were not an object of this paper's research. They are therefore indicated with a dotted line.

The arenas – in this case the two arenas Germany and Liechtenstein – are linked by **issues**, in the present case the "tax affair" issues. Arenas may also be – and in general are in fact – linked by bilateral and multilateral agreements. In our case, all three areas are linked by the EEA Agreement, the EU Anti-Fraud Agreement, Schengen, the EU Savings Tax Directive, and other **agreements**.

Between the actors, various **processes** take place along the issues and agreements, which all are related to each other somehow and condense into a large (process, issue and actor) network.

All these occurrences take place under various **framework conditions** which surround all arenas, including the actors, like a ring, penetrating everything and only partially subject to influences:

- **Agenda setting**: Every actor has its own agenda that it wants to assert.
- **Issue management**: Every actor pursues its issues more or less proactively.
- **Political objectives**: Every actor pursues political objectives in the broadest sense.
- **The history of an issue**: The history of an issue penetrates and influences an issue and often makes resolution of the conflict impossible unless at least one of the actors breaks out and strikes out in a new direction.
- **Political life cycle**: The treatment of issues by the individual actors depends heavily on the actor's own position in its immediate environment; e.g. elections may be upcoming, someone has taken up a new position and must tread carefully, or this person may on the contrary have a solid position giving him more freedom to act.
- **The communication culture** and basic mentality of an arena (State or international organization) heavily influence the treatment of issues and characterize the development of conflicts.

Accordingly, Eichhorn's model, which in principle can also be applied to transnational communication and agenda setting with modifications, has been expanded by the following components: "arenas" in the sense of States and international organizations; "bilateral and multilateral agreements", which link these arenas in addition to issues and processes; and the influential "framework conditions".
6.9 Digression: Alternate views

In the present paper, the case "Liechtenstein and the German tax affair" was analyzed using the model of social framing of issues developed by Eichhorn as part of the agenda-setting approach, in order to identify the influence processes, structures and actors underlying the case from a communications perspective. The model has proven to be well suited, since it offers a comprehensive approach for answering the questions relating to actors, framing of issues, and influence processes.

The model does not fully answer one of the questions raised, however: How can the timing of the eruption of the tax affair be explained? As mentioned in the introduction, the LGT data had been available to the German authorities for one and a half years already. With the help of the Eichhorn model, we have identified the actors in the present case, filtered out the individual issues and the issue structures, and shown the influence process. We have not gleaned any information concerning the question of timing, i.e. the point in time when the Zumwinkel arrest was staged. The explanation according to Eichhorn would be that the "straw broke the camel's back", i.e. that interest-policy upheavals among the political actors in Germany led to the "eruption" of latent, unresolved differences of opinion and the associated emotions, such as "tax competition vs. tax harmonization" (see also Chapter 6.6.1) or "German citizens investing money in Liechtenstein that is not declared to the German tax authorities". In the opinion of the author, this explanation does not cover everything, however.

The involved actors act in various arenas. Arenas are places in which battle is waged and the actors have to pit their strength against each other or – in the figurative sense – try to assert their interests. Already due to the different roles they play in the social structure, actors with a society already act in different arenas. This is even more true of actors acting in the international environment. This results in a confusing and complex picture.

The connection between the different actors in the different arenas and the time of their actions may be explainable with the help of the garbage-can model. The garbage-can model describes the decision-making behavior of organizations and was first formulated by Michael Cohen, James March and Johan P. Olsen in 1972. In works in accordance with a simple yet complex principle: actors, problems, solutions, and possibilities are thrown into a garbage can. The "random" encounter of fitting elements initiates a process that ultimately results in a solution (see Eichhorn 2005, 151).

The application of this model would accommodate those political observers who believe that the events surrounding 14 February and afterwards were a pure coincidence. It was probably a coincidence that the prominent house search of Klaus Zumwinkel in the media took place on 14 February, Valentine's Day and the birthday of Reigning Prince Hans-Adam II, the Head of State of the Principality of Liechtenstein, and that precisely on that day the Futuro project – a vision for the Liechtenstein business location and financial center – was presented. But was it actually a coincidence that the beginning of the tax affair took place one week before the long-planned official visit by Prime Minister Otmar Hasler to Federal Chancellor Merkel and Federal Minister of Finance Peer Steinbrück? The last visit by a Liechtenstein Prime Minister to Berlin had been in 1992! For some observers, that is too much of a coincidence, and they assume that the timing was planned or at least an opportunity was seized – the existence of a
CD with data of a Liechtenstein bank. But in the view of the author, this still does not sufficiently explain the timing.

Another possibility for analyzing the present case with respect to timing could, under certain circumstances, be the *actor-network theory* (ANT), as we will see below.

As shown in Chapter 6.5.1, the author is aware that the individual actors are not as homogeneous as set out in the Eichhorn model on grounds of complexity reduction. For the purpose of our analysis, however, this was sufficient. We have identified the very heterogeneous actors within the two main actors, Germany and Liechtenstein. If we were to try to separate them out even further and identify the arenas in which they act, the complexity of this undertaking would quickly become too difficult to manage.

ANT, developed by Bruno Latour, Michel Callon, and John Law, attempts "as detailed a reconstruction of phenomena as possible. The goal is not to explain, but rather to understand how certain concepts and ideas are asserted in a social group." (Mettig 2007, 15). Behavior by actors is traced in order to understand it better. ANT is therefore also a population theory for organizational change. But this misses our main goal, namely precisely to find an explanation of the developments and influence processes, in order to develop new concepts on this basis. For the question of timing, however, ANT may be helpful, as we shall now see.

ANT originates in the sociology of science and technology, but over time also has established itself in other research fields, especially business information science, geography, and political science and history.

ANT focuses on the assumption that actors, organizations and material objects can be seen as *interactive effects*. Social reality is therefore the result of interactions among different actors. Individual actors try to assert their perspective on specific problems in one or more groups of importance to them by convincing other actors of their views, i.e. incorporating them in a "network of actors" (see Mettig 2007, 1).

Sometimes, however, for whatever reasons, it is not possible to convince other actors or groups of one's perspective, or an issue becomes uncomfortable within an arena, so that an attempt is made to direct the attention of the other actors to a completely different arena by launching a "relief attack". In the best scenario, this actually leads to a spill-over effect from one arena to the other.

In light of these considerations and on the basis of the present paper, an interesting research project in communication science could be conducted on this sub-topic, which however would go beyond the scope of this paper. Indeed, very soon after the beginning of the tax affair, rumors circulated – and have persisted to this day, but have never been proven – that some members of the German Government found it very convenient that the tax affair distracted from the IKB arena and the involvement of the Government in the impact of the subprime crisis on IKB and some of the Landesbanken. In order to bail out the affected German banks, the Government had invested hundreds of millions in tax money. Moreover, the discussion in other arenas concerning issues such as the minimum wage and other topics
was becoming increasingly uncomfortable, so that a relief attack or "coup" represented a welcome solution.

In concrete terms, three parallel arenas could be identified that were linked with each other at various places in political communication, but otherwise ran in parallel. On the one side the issue of IKB and the Landesbanken in the wake of the subprime crisis, on the other side the minimum wage issue and the poor-rich debate.

Using the actor-network theory (ANT), the actions of individual actors – which would appear out of context to the external observer and with respect to the timing, emotionality, or emergence of which no general explanation would be found – could thus be made understandable. At least they would no longer appear out of context, but rather understandable as part of an overarching whole.

The question of "where does this spill-over effect originate, i.e. from which other arena of an actor involved in the main case" can also be asked in another way: "Did any of the involved actors need to find a distraction?"

At the beginning of 2008, the subprime crisis increasingly also concerned and destroyed European banks, which had to write off huge sums of money and were bailed out with massive financial help by Governments. The media reported in detail on these occurrences, generating pressure on the Government and political elite in Germany with many headlines and cover stories. The political public in Germany was the only actor that may have needed to find a distraction. Federal Minister of Finance Steinbrück appeared primarily involved in this billion euro affair and increasingly came under political and public pressure. Some political observers argue that he urgently needed a relief attack to distract from the extremely uncomfortable IKB issue.

The issue of minimum wages, which had put Klaus Zumwinkel in a negative light for the German Government, and especially Federal Minister of Finance Steinbrück, may have entailed that Steinbrück had few objections to Mr. Zumwinkel bearing the full force of the consequences of his tax behavior.

A comparison of the quantitative analysis of the media coverage of the IKB affair – initially in the period from 1 January to 13 February 2008 and then from 14 February to 31 March 2008 – and the quantitative media coverage of the tax affair during the same time periods would be a first step toward investigating the question of whether the "staging" of the tax affair was actually a relief attack by the Federal Minister of Finance or whether other factors were decisive.

The identified actors are involved in different arenas, and their interests become tangled up very quickly. Arenas and actors are linked with each other; a single actor is not limited to a single arena, but rather wages battle in several arenas at the same time. He does this with respect to one or several different issues, which again require issue management and agenda setting. Actors may indeed be closely linked with each other in different arenas, giving rise to a dense network.
In order to not only understand this dense network, but also to make use of it, the actors and their arenas must be analyzed precisely. The central questions are therefore: "Where are the actor's arenas? Where does the actor represent which interests? Where do conflicts arise for this reason? Where can what be expected, because the actor would come under media pressure elsewhere?"

In this way, the question of timing might conceivably be fully answered. But this would go beyond the scope of this paper.
7 Final conclusions

This paper started with the thesis that the importance of communication between States conducted via the media will increase. In addition to professional diplomacy, which of course will continue, States will increasingly have to make use of the communication instruments and approaches used by businesses to assert their interests. Conflicts such as the tax discussion between States examined by the present paper will increase. To deal with them, the significance of professional communication between Government offices, in the sense of agenda setting and issues management, will play an ever greater role. Transnational communication (via the media) will increasingly become "communication within a system" in light of continuing globalization, so that the same rules as for businesses will increasingly apply. On the basis of this bundle of theses, the author wanted to investigate in the present paper whether the model of "a social framing-of-issues process" according to Eichhorn could be applied to transnational communication. The author had the initial assumption that this would be the case and aimed to research it using the example of "the German tax affair and Liechtenstein".

The goal of transnational communication is to balance interests in a peaceful way. With respect to the communication between States conducted via the media, the question is therefore: Who are the influential actors – only State representatives or others as well? – and who brings which issues into the media and thereby indirectly influences the agenda of the mass media? Agenda-setting theory and issue management deal with these questions, which is why both categories of analysis were used in the present paper. The model of social framing-of-issues processes developed by Wolfgang Eichhorn is a specific model within agenda-setting theory.

The subsequent question was therefore: What modifications or amendments have to be made to apply, expand and transfer Eichhorn's model of the "social framing-of-issues process" to transnational communication? For this purpose, the case of "Liechtenstein and the German tax affair" was used as a case study. The further question was, which modifications would have to be made to the model, e.g. with respect to the designation of actors, to make it applicable to transnational communication? Is it possible to move from a social framing of issues to transnational framing of cross-border issues? Is such a transfer and abstraction possible, and under what conditions?

The focus of the considerations is not on "who communicates?", but rather on "What interests should be asserted, with what means, and vis-à-vis whom?". Accordingly, the focus here is primarily on the relevant issues, stakeholder management, and the assertion of one's own political interests.

Eichhorn's model refers to a single, national political system. For the "system of Germany", the Liechtenstein Government is an external factor (discussion of the author with Wolfgang Eichhorn on 12 June 2008). The model was therefore expanded for the present paper to transnational communication. The thesis established in this paper is that the communication between States increasingly behaves as if it were "internal to a system", in light of the continuous progress of globalization. A significant difference exists, however, in the
possibility of influencing informal communication processes, e.g. between communication offices of the Government and media professionals – a strategy that works at the national level but is more difficult between nations. An example is a federal press conference in Berlin. The possibilities of influencing, at the informal level, the German media elite attending such a conference – e.g. by keeping certain issues out of the discussion – is certainly not quite as easy across national borders. The experience of the last few months has shown, however, that once good contact and trust are established between Government offices of a country and the media correspondents of the other countries on site, and also with the key editors-in-chief, such influence can no longer be ruled out. This is probably also a consequence of increasing globalization, the progressive growing together of the world.

Practice has shown that both the news agencies and the German national print media were interested in hearing the Liechtenstein viewpoint and even giving its space in their coverage. It was seen that – as in the case of national disputes – some media followed their own political-strategic line and reported on certain facts in an inaccurate, distorted or biased way, but that this does not represent a special feature of transnational communication. An analysis of the Anglo-Saxon media painted a different picture, but this is not an object of this paper's research.

Overall, it was shown that Eichhorn's model can in principle, with limitations, be applied with respect to the initial identification of the involved actors, the individual issues communicated via the German print media, the resulting framing of issues during the observed time period, and the influence process. This is possible, although the complexity is increased because of the "double allocation" of the political actors and interest groups (in both Germany and Liechtenstein) within the "elite audience" sphere. The political actors and interest groups must be considered separately and independently of each other in each country. The resulting complexity, which reflects nothing other than reality, cannot be described fully by the Eichhorn model, however. For this reason, the author developed her own model, namely the transnational framing-of-issues model.

One might at first glance assume that the "mass media" sphere exists in both Germany and Liechtenstein and that it has the significance accorded to the mass media by Eichhorn's model. But in the case examined, this was only true of Germany. As already shown in Chapter 4, the Liechtenstein newspapers are hardly read outside the country, except by the diplomats accredited to Liechtenstein and some EEA officials in Brussels, for whom they are required reading. Depending on the issue, the Liechtenstein media have a focused or unfocused influence on the Liechtenstein elite and passive audience. Conversely, the transregional German print media are indeed read by the Liechtenstein elite audience and thus influence it. The actors in Germany identified in Chapter 6.5.5 thus reach all actors that they target, both in Germany and in Liechtenstein. Moreover, via the German-speaking correspondents of all major international or at least European mass media resident in Berlin, they also reach the international actors. For these reasons, this paper only used the German print media as interpretation sources (not the Liechtenstein print media), so that the "mass media" sphere according to Eichhorn's model remained uniform.

The question of correspondents of important European media also indicates another problem for Liechtenstein's communication efforts: other than the NZZ, not a single foreign media
outlet maintains a correspondent in Vaduz. Reporting on Liechtenstein is therefore usually "second-hand" – in the best case, from Zurich, which is an hour by car from Liechtenstein; in less good cases, from faraway Berlin. The obvious interest of some actors in Germany to conduct the tax discussion via their own media was therefore relatively easy and, as we have seen, extremely effective. On the other hand, it was suddenly easier for actors in Liechtenstein to gain access to the German mass media, which previously had shown little interest in Liechtenstein's economic success stories ("good news is no news").

Because of the de facto lack of a noticeable influence by the Liechtenstein mass media, the country strips itself of a major opportunity to influence targeted actors or at least be heard by them.

At least in the examined case, the "passive audience" sphere can be considered together for both countries, since surveys and studies can identify the opinion of the passive audience in both countries on a specific topic area or concrete question across borders. Within the "elite audience" sphere, the subgroup of the "active audience" can, in the opinion of the author at least in the examined case, also be defined and described across national borders, since the representatives of this group voice their opinions on the disputed issues (almost) independently of whether they can be allocated to Germany or Liechtenstein.

The theory of agenda setting comes out of political science. Indeed, disputes arise especially when activity by (national) political decision-makers is desired. The reference point is the political decision-maker: Where and how does the political decision-maker act from the perspective of the public? What is the central problem? Is it tax evasion by German citizens in general terms and the identification of tax offenders, is it the belief that foreign banks or financial instruments facilitate tax evasion, or is the debate of "tax competition vs. tax harmonization" that has been smoldering in Europe for decades and surfaces time and again? Liechtenstein should in any event have an interest in the debate being an internal German matter and keeping it that way if possible (which initially indeed appeared to be the case). In the case of Liechtenstein and Germany, the goal is to find a settlement and to bring about activity of the other Government in the dispute that is in line with one's own interests. Two (political) publics are facing each other, both of which want to find and must, within the scope of their national interests, find a settlement at the national level (politicians want to be reelected and must therefore find domestic political support for the settlement) and at the international level.

Tax refugees are increasingly operating internationally. States which lose tax revenue due to the international "tax optimization tactics" of their citizens are therefore also increasingly operating internationally. Naturally, the principle of non-interference by a State in the internal affairs of another State continues to hold. But globalization and the progressive integration of the European economic area show that the world, and in particular Europe, are becoming more and more of a single political and economic area. In the present paper, the author therefore assumed that the Eichhorn model can by and large – with amendments – also be applied to transnational communication, especially where it is conducted via the media. The
present case of the LGT data acquisition by the BND and the use of that data by the German tax authorities can be viewed as an example of this internationalization.

7.1 Damage to image or opportunity for repositioning?

Six months after the beginning of the tax affair, Uwe Ritzer gave an apt and differentiated report on the situation in Liechtenstein in the SZ (5.7.2008, 28) under the title: "The refuge crumbles":

"14 February 2008 changed the [...] Principality. [...] Someone traveling to the Principality a bit less than half a year later to assess the impact lands in a rattled country. It is wrestling with itself because it would love to continue its discreet financial business like it did before 14 February, but instinctively feels that things can no longer continue that way in the long run. In daily life in Vaduz, the Zumwinkel case no longer plays a major role. More or less unininvolved, the Prince's people note what the large center-right coalition announces every few days through the newspapers under their control: that Germany is brazenly covering up its own faults, since it has miserable laws that drive away any reasonable taxpayer." (SZ, 5.7.2008, 38)

The leader of the opposition in the Liechtenstein Parliament, Andrea Matt, is quoted as follows: "To outsiders, there is a deceptive calm. But behind the scenes, everyone is wrestling heavily about how far the reforms must go."

Massive damage to Liechtenstein's image remains, which cannot be fixed so quickly by all the relevant players in Liechtenstein. Irrespective of whether this was a targeted attack or simply deliberately accepted as it occurred, the damage to Liechtenstein's image especially affects the hard-working economic sectors in the country as well as respectable Liechtensteiners who are asked about the affair abroad and looked at with distrust. In concrete terms, the German insurer Allianz has pulled out of the financial center, in which it had already undertaken major investments.

The German tax affair and its treatment by the examined media (and probably not just there) certainly have brought to light existing doubts and prejudices concerning company structures. "The word 'Liechtenstein' simultaneously summarizes a whole bunch of German problems," said SPIEGEL in its issue of 25.2.2008 (p. 74). The title of this article, "Wanted: Tax offender, enemy of the State", gives rise to the suspicion that the State is primarily interested in intimidating tax offenders.

If, however, we assume that the goal of communication – not only, but also – between States is to assert one's own interests, and that this occurs through issue management and agenda setting, then we can see from the preceding document analysis that the reform process in the Liechtenstein financial center – which until now was unfortunately communicated far too little and far too shyly, in line with the mentality of the Liechtensteiners: "We only communicate once everything is taken care of, and even then, given our small size, not too loudly and rather modestly" – is now widely known and perhaps also has been accelerated. In this light, the tax affair would be of benefit to both sides. The prejudices against Liechtenstein and a bad taste remain, however.
7.2 Communication between States

In the concrete case of "Liechtenstein and the German tax affair", this paper has confirmed that communication between States increasingly takes place via the media, beyond classic and public diplomacy. National Governments increasingly make use of the communication instruments that originally were conceived for businesses, especially issue management and agenda setting. Due to lack of basic theoretical research, the field of crisis communication (still) falls within the scope of issue management and is discussed within that framework.

States increasingly compete not only for attention in general (e.g. in international organizations) in order to achieve their political goals, but also increasingly for the attention of the media. As for other organizations, the media here likewise have a "gatekeeper function".

This paper has also shown that political systems are powerful actors in setting public agendas. Apparently, it is easier for German political actors to place their agendas and opinions in the German print media. However, it was seen that Liechtenstein political actors are likewise able to place their opinions in the German print media – especially if the actors were prominent or the statements were pithy enough. In the view of the author, the media distinguish less and less between representatives of States and representatives of the private sector. The respect previously seen in communication with and about the State appears to have receded somewhat in light of the general trend toward flatter hierarchies.

The head of the Liechtenstein opposition Andrea Matt (Free List) summed up the affair in SPIEGEL (issue 09/2008 of 25.2.2008, 74) with the following statement: "Perhaps this affair is also an opportunity for Liechtenstein."

One could only wish this for the small State of Liechtenstein, which had a fantastic business idea in the year 1926 and was able to work itself up from an extremely poor agrarian country into a respected and successful financial center within a very short time. The chances are good, since the Liechtensteiners have always been forced to respond quickly and flexibly to changing circumstances and to face globalization with innovative and courageous ideas. Liechtenstein is also convinced that this cannot happen at the expense of others.

The political actors in Liechtenstein will however have to learn, in contrast to their traditional attitude that the external communication of a small State must be quiet and restrained, that they need not hide from the outside world, but should instead communicate internationally in a more visible and courageous way, and to actively make use of the communication tools they already use within the country. Only then will they succeed when playing the game of transnational and global communication, which is increasingly played via the media, to assert their interests, and even to look good while doing so.
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