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U.S. homebuilding near two-year low; permits extend decline



Inside C2

# Southern DAILY

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# In divided America, Mueller report hardens the most strident

CLEARWATER, Florida/LAS VEGAS (Reuters) - After months as volunteer activists demanding that President Donald Trump be impeached, Eileen and Michael O'Brien sat on their couch on Thursday, cracked open a laptop and began to read the 448-page special counsel report that liberals have dreamed would make impeachment a reality. "Hmm, seems like there's a lot of gray area here," said Eileen O'Brien, 65, of Clearwater, Florida, reading aloud a line about the findings falling short of a criminal case. "Legally wrong and morally wrong are two different things."

The release of the long-anticipated report by Special Counsel Robert Mueller on his inquiry into Russia's role in the 2016 election landed in a stridently divided America: one side convinced Trump acted improperly, the other adamant that the investigation was a politically driven farce.

Mueller built an extensive case that Trump committed obstruction of justice but stopped short of concluding he had committed a crime, though he did not exonerate the president.

For those like the O'Briens who have been pining for impeachment, the report renewed a resolve to oust the president. For those who want to see the president reelected, there was a sense of vindication.

"The White House is going to put out their own version of things, which is basically fish wrapper," said Michael O'Brien, formerly a service technician who now works on houses. His wife, who a day earlier delivered a can of "impeaches" peaches to a lawmaker, looked up with a quizzical expression.

"It's worthless," he explained. "You can use it to wrap fish."

Lee Mueller and his wife, Michele Mueller, no relation to Robert Mueller, also paused their Thursday to read through the special counsel's report. They printed out the table of contents for both volumes along with the executive summaries.



Eileen O'Brien, 65, and Michael O'Brien, 62, read the redacted report by U.S. Special Counsel Robert Mueller on Russian interference in the 2016 U.S. presidential election, at their home in Clearwater, Florida, U.S., April 18, 2019. REUTERS/Letitia Stein

## U.S. refiners planning major plant overhauls in second quarter

HOUSTON (Reuters) - U.S. oil refiners are planning a heavy slate of plant overhauls in the second quarter, with total production this month off 8.5 percent compared with the start of the year, according to data from the U.S. Energy Information Administration.

Early spring and winter traditionally are heavy periods for U.S. refinery maintenance. But refiners are planning more upgrades than usual in the first half of 2019 to avoid fall and winter shutdowns as they prepare to meet coming low-sulfur standards.

This year's maintenance schedule and higher crude prices helped push U.S. gasoline prices to a national average of \$2.83 a gallon last week, up 26 percent since the start of the year, according to data from the American Automobile Association. U.S. crude futures rose 32 percent in the first quarter.

International Maritime Organization (IMO) 2020 is a standard for maritime diesel that takes effect on Jan. 1 and is designed to reduce air pollution. Refiners have been revamping their plants to make IMO 2020 compliant fuel.

"They will push (winter) turnarounds later into 2020 to take advantage of that margin bump from the switch to IMO 2020," said Susan Bell, a senior associate at energy consultancy IHS Markit.



FILE PHOTO: The British Petroleum oil refinery is seen in Whiting, Indiana, August 16, 2007. REUTERS/John Gress



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# U.S. homebuilding near two-year low; permits extend decline

WASHINGTON (Reuters) - U.S. homebuilding dropped to a near two-year low in March, pulled down by persistent weakness in the single-family unit segment, suggesting the housing market continued to struggle despite falling mortgage rates.

The second straight monthly decline in homebuilding reported by the Commerce Department on Friday probably reflected in part massive flooding in the Midwest, with housing starts in the region plunging to levels last seen in early 2015.

The weak report bucked a recent tide of upbeat data, including retail sales, trade and construction spending, that indicated the economy regained speed late in the first quarter after appearing to stumble at the turn of the year.

"Waiting for construction activity to pick up after a sharp drop in mortgage rates is like waiting for Godot," said Chris Rupkey, chief economist at MUFJ in New York. "It is hard to know what is ailing the home construction industry."

Housing starts fell 0.3 percent to a seasonally adjusted annual rate of 1.139 million units last month, the lowest level since May 2017. Data for February was revised down to show homebuilding tumbling to a pace of 1.142 million units instead of the previously reported 1.162 million-unit rate.

Housing starts in the Midwest, which was devastated by floods during the month, dropped 17.6 percent. Homebuilding also fell in the Northeast and South, but surged in the West.

Economists polled by Reuters had forecast housing starts increasing to a pace of 1.230 million units in March. The dollar was trading lower against a basket of currencies. U.S. stock and bond markets were closed for the Good Friday holiday.

A sharp pickup in home construction appears

unlikely. Building permits fell 1.7 percent to a rate of 1.269 million units in March, the lowest in five months. It was the third straight monthly decrease in permits.

The prolonged weakness in homebuilding is likely the result of land and labor shortages, as well as expensive building materials. A survey on Tuesday showed that though builders reported strong demand for new homes, they continued to highlight "affordability concerns stemming from a chronic shortage of construction workers and buildable lots."

These factors are constraining builders' ability to construct homes in the lower price segment of the market, which continues to experience a shortage of homes for sale. The housing market hit a soft patch last year, with investment in homebuilding contracting 0.3 percent, the weakest performance since 2010.

#### FUNDAMENTALS IMPROVING

Despite the weakness in homebuilding, the fundamentals for the housing market are improving. The 30-year fixed mortgage rate has dropped from a peak of about 4.94 percent in November to around 4.12 percent, according to data from mortgage finance agency Freddie Mac. Wage growth is also strengthening. Declining mortgage rates follow a recent decision by the Federal Reserve to suspend its three-year monetary policy tightening campaign.

While housing continues to be soft, the other segments of the economy have rebounded from earlier weakness. Retail sales surged in March and trade, inventory and construction spending data have also been bullish, leading economists to upgrade their gross domestic product growth estimates for the first quarter.



FILE PHOTO: A construction worker builds a single family home in San Diego, California, U.S. February 15, 2017. Picture taken February 15, 2017. REUTERS/Mike Blake



FILE PHOTO: Single family homes being built by KB Homes are shown under construction in San Diego



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# Editor's Choice



Members of the Santa Vera Cruz brotherhood carry a cross and a statue of the Virgin Mary during Good Friday celebrations in San Vicente de la Sonsierra



Pope Francis leads the Good Friday Passion of the Lord service in Saint Peter's Basilica at the Vatican



Crowds wait next to a cross for the Santa Vera Cruz brotherhood, known as "Los Picaos", who whip their backs with tied rope as a form of penitence during Good Friday celebrations in San Vicente de la Sonsierra



A man works on a sand sculpture during Holy Week celebrations in the Arenal de Cochiraya



Ukrainian servicemen watch a TV broadcast showing a policy debate of Ukraine's President and presidential candidate Poroshenko with his rival, comedian Zelenskiy at their position near frontline near Svitlodarsk



The hearse carrying the remains of Peru's former President Alan Garcia, who killed himself this week, makes its way through the crowd of supporters, in Lima



IRA graffiti painted over with a message declaring it a defeated army is pictured in Londonderry



Palestinian boys react in front of Israeli troops during a protest at the Israel-Gaza border fence in the southern Gaza Strip



Photo above shows new biometric scanning technology at Terminal F in Hartsfield-Jackson International Airport in Atlanta, Georgia. (Photo/Delta Air Lines).

Imagine looking at a screen for two seconds and then check in for your flight? Then you glance at a screen for another two seconds to drop off your bags at a luggage station? How easy would it be to merely look at another screen to breeze through ID checks at TSA security checkpoints or the departure gate? All this, without having to use your passport.

Now all this is reality. Atlanta's Hartsfield Jackson International Airport and Delta Air Lines have opened the nation's first curb-to-gate biometric terminal, which promises to improve aviation security while moving travelers faster through screening.

"Atlanta airport -- the busiest airport in the world, our largest hub -- is the first airport in the US to roll this out," Delta Chief Operating Officer Gil West told CNN at the terminal's opening on November 29. "It saves nine minutes on the ground for the boarding process which is time that our customers won't be spending in lines waiting to board the aircraft."

The biometric ID technology being used here is facial recognition. It's a camera-based system that compares scans of travelers' faces to a database of verified ID photos curated by US Customs and Border Protection (CBP). Passengers use a facial recognition screen to verify their identities before boarding a Delta Air Lines flight from Atlanta to Mexico City on Thursday.

Delta's competitors -- including JetBlue, American Airlines and Southwest Airlines -- have started pilot facial recognition programs at a handful of US airports for international boarding. But so far, Delta says Atlanta is the only airport to also offer biometrics for check-in, luggage and TSA ID checks.

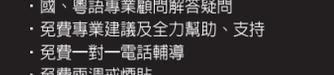
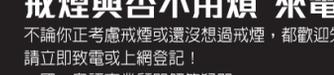
CBP says America's air travel industry is on a path toward widespread adoption of facial recognition verification at all US airports with international flights and eventually, say industry leaders, domestic flights too.

It's the "next leap in airport security," says Matt Cornelius, vice president of Airports Council International, North America. Although Cornelius is confident in the technology and it "continues to evolve very rapidly," he says it "still has a lot of development to go."

**It's more secure**  
Using the system is totally optional. Passengers who don't feel comfortable using it can opt to go through traditional ID verification using their passports. Privacy groups say they're worried facial recognition databases are subject to limited accountability and vulnerable to government abuse or lack of oversight.

Experts and authorities believe biometric ID technology will make airports and air travel safer in an era when aviation is targeted by criminals and terrorists. "Facial recognition is much better from a security perspective than a paper, barcode scan," said John Selden, Atlanta airport's new general manager who spent four years as deputy general manager at New York's JFK International Airport. "This technology is leading the way in improving security."

**Your face can be your passport**  
In a nutshell, here's how it works: If you're unfamiliar, facial recognition technology uses a complex algorithm that recognizes each person's unique facial characteristics -- including shapes of eyes, noses, mouths, proportional relationships and other factors.



# USA's 'First Biometric Terminal' In Operation At Atlanta Airport

Compiled And Edited By John T. Robbins, Southern Daily Editor

Delta Air Lines offers customers in Atlanta the option of using facial recognition technology to check in for international flights.

-- Passengers enter their passport numbers into their frequent flier airline profiles.  
-- Check in to your flight at one of several kiosks in the international terminal by pressing a touch-screen tab labeled "LOOK: Facial Recognition" and looking into the screen. The image is compared to the image on file in the CBP database.  
-- Drop your luggage at the nearby airline baggage drop station by looking into a camera.

-- At the TSA screening area, look into a scanner screen and show your boarding pass. No need to pull out your passport or driver's license.  
A typical stop at a TSA ID check station can take 11-20 seconds. With this -- in less than three seconds -- boom, you're cleared to continue on through the TSA passenger and carry-on baggage screening lanes.

Next year at Atlanta's international terminal, TSA plans to use facial recognition so participating travelers won't have to show a boarding pass either.  
**It has a 98% success rate**  
Finally, at your departure gate, instead of having to pull out your passport before you board your international flight, just briefly stare into a screen set up at the jetway entrance. In 2 seconds, you're cleared and bouncing down the jetway to your seat. An airline gate agent is staffing the screen to take care of any technical hiccups.

Yep, once in a while, the screen doesn't recognize a face.

In fact, about 1% or 2% of the time, face scans aren't able to verify passengers, said John Wagner, CBP deputy assistant commissioner. He blames that on bad scan images -- poor lighting



A photograph showing a 'CHECK IN' kiosk at the airport.

conditions, for example. "If you do get rejected, all you do is present your passport and your boarding pass."

TSA facial recognition screens are now available for biometric ID verification at Atlanta Hartsfield-Jackson International Airport.

Wagner says the technology will be continually improved with a goal of 100% effectiveness.

When it does work, the CBP's facial recognition database can help authorities nab travelers who use false passports. Recently three airline passengers at Washington's Dulles International Airport were caught over a period of 40 days, according to CBP.

**Privacy questions**  
When authorities have your facial image in a database, you're giving up control over how the government can use it, said Jeramie Scott at the Electronic Privacy Information Center, a Washington-based organization aimed at protecting privacy.

The CBP says facial images of US citizens scanned at airports are deleted from their database shortly after confirmation. Facial images of non-citizens who arrive in the US are stored for 75 years, the CBP website says, and departure photos of non-citizens are deleted after 14 days.

Biometric facial recognition cameras have been installed at Delta Air Lines' baggage drop station at Hartsfield-Jackson Atlanta International Airport.

Delta's West said the airline never has control of the CBP database -- "only the ability to access it to verify identity."

Privacy advocates are calling on lawmakers to create legal safeguards to prevent the abuse of these kinds of databases.

As for passengers, Keary King of Dothan,

Alabama, said he was willing to try the CBP system. "We have no privacy concerns," he said, waiting with his family to board Delta Flight 365 to Mexico City.

"Maybe it makes the boarding a little quicker," King said. "That would be good, not only for me but for all the passengers."

Most of the flight's 124 passengers who originated in Atlanta used the facial scanner and boarded the Boeing 737-700 on time in about 10 minutes. Only a few had to show their passports because the system rejected their scanned images.

**It's expanding to other airports**  
Outside the US, airports such as Singapore's Changi, Amsterdam's Schiphol and Aruba International Airport reportedly already offer biometric check-in and boarding capability at some gates and terminals.

Airports in Japan reportedly are rolling out facial recognition boarding facilities at several airports this year.

China's Hongqiao International Airport is also using facial recognition for security screening, according to The Independent, and is in the process of expanding to a full curb-to-gate facial recognition system.

London's Heathrow plans to start testing an end-to-end facial recognition program next year.

Meanwhile, Delta is expanding its biometric program. "We'll look to scale this at all our hubs internationally, and aspirationally, throughout our entire operations," West said, implying the addition of US domestic travelers. Delta plans to kickoff a facial recognition option for customers flying internationally out of Detroit in mid-December.

Passengers should always have the ability to opt out of any facial recognition system, Cornelius said.

Full implementation is "a number of years away," Cornelius said. Wagner said the CBP hopes to have facial recognition boarding at all US airports serving international flights within 3 or 4 years.

Right now, airports' main concern is getting these systems up to speed, Cornelius said.

If all goes as planned, airports believe facial recognition can reduce those annoying bottlenecks at security lines and make air travel safer for all of us. (Courtesy cnn.com)

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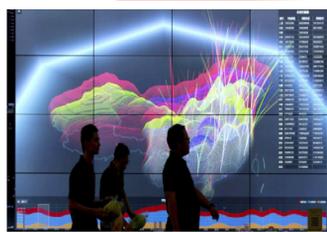
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**SPECIAL  
REPORT**



China's Cybersecurity Law (CSL) has a remarkably wide reach in Chinese society, serving as the centerpiece of perhaps the most comprehensive cyberspace governance regime in the world. Still, more than a year after official implementation on June 1, 2017, a great deal of the regulatory and standards-setting work needed to give the law true force remains incomplete.

In policy areas including data localization, "critical information infrastructure" (CII) protection, and security reviews for "critical network equipment and specialized cybersecurity products," the CSL regime remains a work in progress. Personal information protection policies stand out as further along than others, but there is still more to do.

Passage of the CSL in November 2016 should therefore be seen not as an end result but as a major milestone in the broader "cybersecurity and informatization" push that the Xi Jinping leadership embarked on in 2014. The law enshrined high-level concepts and formulations, addressed turf battles among government offices, and put domestic and foreign stakeholders on notice that a broad definition of cybersecurity was a top Chinese government priority.

Amidst delays, top leaders appear to be demanding progress. In April, Xi personally chaired a national work conference on cybersecurity and informatization, where he gave a speech (coverage translated by DigiChina) that reiterated the Party's commitment to cybersecurity regulation and digital-driven development while clarifying some bureaucratic roles in the sector.



Last April, China's President Xi personally chaired a national work conference on cybersecurity and informatization, where he gave a speech that reiterated the Party's commitment to cybersecurity regulation and digital-driven development.

Moreover, the international circumstances China

**China's Governance Of Cyberspace Still Evolving  
One Year After Crucial CSL Law Took Effect**

**Progress, Pauses, and Power Shifts in  
China's Cybersecurity Law Regime**

Compiled And Edited By John T. Robbins, Southern Daily Editor

faces have changed considerably. The events surrounding the Chinese telecommunications equipment supplier ZTE and the escalating trade and investment confrontation with the United States have convinced Chinese officials that cybersecurity and technological development require strong and sustained attention. (Late last week the U.S. Commerce Department lifted a denial order on ZTE, which had prevented the company from purchasing hardware and software from U.S. suppliers.)

As regulatory and standards-setting efforts unfold with renewed vigor, several key areas of regulation have reached significant milestones, and others have run into bureaucratic and technical challenges.

Data Localization Rules Stall After U.S.- and Japanese-Led Pressure Campaign

The CSL explicitly requires certain types of data to be stored within mainland China, and it sets up conditions for transferring some types of data abroad. Two major draft regulatory documents released last year raised the specter of pervasive limits on cross-border transfer of data out of China. The draft documents—"Measures" and "Guidelines" on security reviews required for outbound transfer of "personal information" and "important data"—generated intense debate and international opposition.

Beginning in October 2017, the United States and Japan led a multilateral campaign against these draft rules at the WTO Council for Trade in Services, requesting that China refrain from issuing or implementing final measures until concerns were addressed and the draft regulations were fully consistent with the WTO General Agreement on Trade in Services. Under pressure from a broad coalition of trading partners, authorities suspended development of the Measures before U.S. President Donald Trump's November 2017 China visit, and they postponed work on the Guidelines in April 2018.



The WTO Council for Trade in Services meeting in October 2017.

Though the final resolution is uncertain, and the

reviews for outbound data transfer are not slated to go into effect until the end of 2018, there are signs that restrictions may tighten rather than loosen compared with earlier drafts. The April Big Data Security Standardization White Paper 2018 included language that, if made binding, would expand the scope of checks on outbound data transfers to include datasets covering 500,000 people's data overall, rather than 500,000 per year.

Once the review regime for outbound data transfers is complete, companies will have a process to follow to move data in an approved way, including through internal assessments or hiring outside reviewers, according to the draft Measures. Regardless, for "personal information and important data" produced by operators of "critical information infrastructure" (see below), there remains a requirement to at minimum store a copy of the data in mainland China.

**Review Regimes Head Toward Greater Coordination**

The CSL establishes requirements for a regime to review "critical network equipment and specialized cybersecurity products" for security. In June, China's top certification organization, the Certification and Accreditation Administration of China (CNCA) announced 22 organizations in two lists as responsible for testing and certification in these areas. For the most part, these organizations are the designated testing or certification bodies in existing processes: for network access licenses under the Ministry of Industry and Information Technology (MIIT), for sales licenses or information security products under the Ministry of Public Security (MPS), etc. The approved bodies include a range of organizations with significant technical chops and experience reviewing foreign equipment.

A new name on the list comes in the form of the

**EN** Certification and Accreditation Administration of the People's Republic of China

newly renamed China Cybersecurity Review Technology and Certification Center (CCRTCC), whose director Wei Hao has played a public role in explaining the review process. Wei has said that review and certification efforts should be integrated to prevent duplication between existing processes and the new regime called for in the CSL, according to a WeChat post by the Critical Information Infrastructure Technology Innovation Alliance. In that post, Wei further described a national "data security review and certification system," and he

ty and government cloud services, big data, etc." Wei described the issuing of a catalog of "critical network equipment and specialized cybersecurity products" last year as the beginning of implementation of a national cybersecurity review system, and suggested that much more work needs to be done to clarify responsibilities and develop the new, more unified system.

**'Critical Information Infrastructure' (CII) Rules Vague in Early Drafts, but More Details Expected**

Under the CSL, operators of information systems in a broad and only partially defined array of sectors designated as "critical information infrastructure" (CII) may only purchase network products and services that have passed national security reviews that at present are set forth in trial measures. So far the national security review panel has approved six cloud platforms, all of which are operated by Chinese companies.

What sectors are to be covered by these rules remains unclear. In July 2017, the CAC published draft CII Security Protection Regulations for comment. That draft suggested a broad definition of CII, covering many sectors, but raised more questions than answers because it was not comprehensive. In a November 2017 meeting with global industry stakeholders, CAC Cybersecurity Coordination Department Director General Zhao Zeliang said he believed the scope of CII should be narrow, applying only to a small fraction of all information systems. Still, CAC would not set a deadline to finalize the definition of CII. An updated version of the draft regulations is expected in the coming weeks or months.

**Advantage CAC in Jurisdiction Overlap**

**with Ministry of Public Security**

Even six months after CSL implementation, major questions remained regarding overlapping jurisdiction. (See DigiChina's earlier outline of six emerging systems.) The law set forth a new system for protecting CII, but it also reaffirmed an existing and inescapably overlapping system run by the MPS—the Multi-Level Protection Scheme (MLPS).

According to industry sources, MPS has been advocating that CAC repurpose the MLPS' cybersecurity requirements, rather than establishing a parallel regime for CII. CAC has insisted that its new system would not "conflict with, duplicate, modify, or lower the requirements set forth by the MLPS Baseline Requirements Standard." Recent events suggest CAC's authority is increasingly clear in this area. On June 27 the MPS released the draft Cybersecurity Multi-Level Protection Regulation (MLPS 2.0 for short), an upgraded replacement of the original 2007 MLPS measures. The new document assigns primary regulatory leadership to the Central Commission for Cybersecurity and Informatization, CAC's recently elevated parent, seating it above MPS, which is

designated a "competent authority." This proposed language suggests CAC will have the upper hand in settling divergent views regarding the boundary between rules for CII and the evolving MLPS.

Substantively, the draft MLPS 2.0 document would potentially cover companies that did not previously fall under the scope of MLPS by expanding the scheme to cover all network operators rather than just key industry systems or government agencies. In addition, it lowers the threshold for Level 3 status in the graded ranking, a level where requirements including enhanced monitoring by the MPS, third-party certification, and annual reviews kick in. There is an apparent shift toward more audits rather than self-reporting by companies.



**Protecting Personal Data a Particular Priority**

There has been an increasing emphasis on how personal information (PI) is managed in the year since the CSL took effect. The government has issued its first standard with granular rules for how personal data is collected, used, processed, and shared—the Personal Information Security Specification. The standard, though officially nonbinding, has already been cited by authorities targeting violations by major companies, including the Alibaba-linked Ant Financial.

The banking industry became the rare sector to issue its own guidelines for data governance in March. A statement by the China Banking Regulatory Commission linked the need for such measures to the massive amounts of client data now involved in core functions of financial institutions. Even the new MLPS 2.0 regime now stresses the importance of PI protection with seven separate articles addressing network operators who illegally leak, sell, or share PI without authorization.

Together these developments underscore a growing recognition that China needs some framework for personal data as part of the broader effort to govern China's digital economy and address citizen concerns about privacy.

Yet, implementation and enforcement of new PI rules is likely to be somewhat ad hoc and subject to political jockeying, because there is still much debate around data ownership, privacy, and the development of emerging technologies like AI. This debate was on display recently at the Global Mobile Internet Conference in Beijing, where Chinese and foreign experts held a roundtable devoted to "the contradiction between data sharing and privacy protection." (Courtesy <https://www.newamerica.org/>)

(Editor's Note: These and other developments in Chinese cyberspace and digital economy regulation represent a broad effort to manage the challenges and opportunities posed by digital technologies, a task that will never be fully complete.)

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