The outcome of the tough situation in Belgrade is thought to bring about changes in the Federation as a whole and to customize the political environment of the region. The recent developments however are not final countdown for the crisis potential of Yugoslavia. Yet, there are many pending issues and their resolution is a long way ahead. What is certain is that Yugoslavia faces new challenges to deal with.

There are several kinds of challenges that could be pointed out.

First of all, political democratization is needed. The initial step to this end is promoting democratic political principles and their implementation as political and social practice. The institutional mechanism of the Federation is to be changed and a process of civil and democratic institutions building endeavored. One of the main elements of this process is building civil society and developing public control on institutions that had been previously unknown. It refers particularly to state and federal institutions – especially army, police, special intelligence, counter-intelligence and police units.

Another aspect of political democratization is the development of the political process in Yugoslavia. The performance of democratic parties as well as the participation of Serbian Socialist Party and Yugoslavian Left Party led by Slobodan Milosevic and his wife Mira Markovic in political life are to shape and modify the future political environment in Yugoslavia. It is also important to define and determine the future political interests of Yugoslavia, its attitude towards such processes as Euro-Atlantic integration and building new security architecture in Europe.

The second challenge that Yugoslavia is about to face is the
process of social transformation and economic transition.

The period of 10 years of wars and embargo on Yugoslavia had had mostly negative impact on Yugoslav social and economic environment. It affected the people but not the governing bodies and those who were close and loyal to them. Thus the underground economy was unleashed and widespread. The new social and political circumstances in Yugoslavia require new role of former men-in-power and people close to Milosevic and the ruling coalition. It would be of vital necessity for them to transform their previous political interests to new corporate ones. The danger of mafia-like structures exists. Therefore, overcoming Black market activities and preventing further enlargement of organized crime are essential parts of the process of stabilization and democratization of Yugoslavia.

The third challenge to new authorities in Yugoslavia is combating nationalism, particularly the Serb nationalism, which is ethnic-based. As a result of long-lasting conflicts, embargo and international isolation the Serb people have suffered many difficulties. It concerns not only people living in the Republic of Serbia but even more those Serbs previously living in Croatia, Bosnia and Herzegovina, Kosovo, who left their homes and moved to Serbia. Their future is uncertain for they are in the middle of nowhere. They have few if any opportunities to stay in Serbia (they face severe housing, employment and other social and economic mischances), and what is worse - they have no way back. Their previous home places have been demolished and they are not welcome there any more. All these factors are strong enough to breed up uproar, which could upgrade to nationalism outburst. In view of stabilizing the Federation and overcoming the conflict potential, the frustrated Serb identity should be tackled in a subtle way and set at ease by means of development and integration.

The fourth challenging issue refers to the future status of Kosovo and Montenegro in Yugoslav Federation.

The resolution of Kosovo status will be a crossing point of the two controversial interests – the Serb and the Albanian. The new Yugoslav President and other political leaders of the major democratic parties declared their vision of Kosovo as an integral part of Yugoslavia. It will be a matter of deliberations what constituent status Kosovo would have within the Federation. What is certain is that the perspective of independence for
Kosovo reveals disturbing threats. An independent Kosovo is likely to trigger new conflicts rather than settling down the present troubles. The independent status of Kosovo would have impact on other areas in Yugoslavia inhabited by ethnic Albanians, as well as on Western Macedonia and North Albania.

After the recent political and social developments in Yugoslavia the Republic of Montenegro would claim for new federal status relevant to the status of Serbia and not being in an obedient position. Until the present moment, although having political, economic and police autonomy, Montenegro stayed second in rank in the Federation. Now the Montenegro authorities and its Western-oriented President, in particular, consider it is time for a change in the whole federal structure of Yugoslavia.

**In conclusion**, the forthcoming challenges to Yugoslavia are to restructure and set the basis of the political, social, institutional, economic and civil development of Yugoslavia. In order to achieve these complex objectives a lot of changes at several levels in the Federation should occur. This brings to front the problem of interaction among the new Federal President, the Federal Parliament, Republic and local authorities in both Serbia and Montenegro. The problem of interaction is of key importance for the transition of power, reformation and sustainable development of Yugoslav Federation.

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