

After the withdrawal of Vietnamese troops from Cambodia and the end of the Cold war era, the global situations have changed from confrontation of political ideologies to increasing international cooperation especially in the areas of international trade and investment. This marked the return of relations between Cambodia and the free enterprise economies of the past that formed the foundation of economics, politics, social and culture of Cambodia. The objectives of this study are as follows:

1. To study the influential of internal and external factors in the formation of the foreign economic policy and foreign investment incentives under Hunsen government of 1989.
2. To study conflicts and impacts of the introduction of the market economy system into Cambodia.
3. To examine the trend in Cambodia's foreign policy and its implication on Thailand – Cambodia economic relations.

In this study qualitative data are obtained from documents as well as personal interviews with 20 members of seven occupational groups in Cambodia. They are: 2 government officials, 4 educators and student, 6 Cambodians working with foreign enterprises, 2 Public officials,

2 journalists, 2 businessmen and, 2 non-government organization. Subsequently, the interviewed data were analyzed to find out the real causes of conflicts as well as the impact of such conflicts resulted from the implementation of the Cambodia Government's foreign policy.

The findings are as follows: The Cambodian government was vulnerable to the intervention of the foreign enterprises because its political system was not stable. The nature of relationships between the Cambodian government and foreign enterprises was also based on mutual benefits. Providing financial support to political parties is a necessity for the survival and operation of the parties. Due to the fact that Cambodia has a complicated internal political system with the ongoing struggle for power among their own political groups, there was a friction between the profiteers and non – profiteers among the local investors in Cambodia and investors from abroad.

Due to the withdrawal of the Vietnamese troop and the introduction of market - oriented policy of Cambodia, the political turmoil resulted in limitation of the expansion and dynamism of the new economic revolution with negative effect especially on foreign investment entailing Cambodia's foreign relations and policy. These factors demanded Cambodia to switch its foreign policy toward bilateral mutual through joint cooperation with foreign investors in weeding out problems targeting long-lasting peace, prosperity, and stability.