In August, Hanoi officials announced they would eliminate quotas and reduce tariffs for all sugar imported from other Asean countries from 2018, under the terms of the Asean Trade in Goods Agreement (Atiga), which forms part of the bloc's efforts to create a single market between the 10 member nations.

Under Atiga, Cambodia, Laos, Myanmar and Vietnam are required to eliminate 97% of their tariff lines by 2018. Moreover, some agricultural commodities, including sugar, rice, chicken and pork, will only charge a levy of 5% after this date.

What this means is that Vietnam will have to open up its sugar market to other Asean countries and tax imports at far below the current rate of 80-100%.

This will harmonise Asean sugar import tariffs, while exporters from outside the bloc will pay taxes on in-quota raw sugar at 25%, and on in-quota refined sugar at 40%, according to market intelligence firm CCM. The import tariffs for out-of-quota raw sugar and refined sugar will be set at 80% and 85% respectively.

CCM believes the the new tax system will lead to sizeable quantities of sugar being imported from Thailand, in particular, into Vietnam.

Asean's biggest sugar grower, and placed fourth in the world, Thailand's production currently runs at 11m tonnes per year, and is expected to grow to 20m tonnes by 2020. As a whole, Asean countries enjoy a share of roughly 10% of global sugar production.

Meanwhile, under a commitment made to the World Trade Organisation, Vietnam is required to import a fixed quota of sugar from other countries every year.

The Vietnam Sugarcane and Sugar Association has stated that last year's sugar output dropped by 13%, though demand was still met with imports covering up the gap. At the same time, sugarcane cultivation fell to its lowest level since 2010.

The country has also recently been stockpiling huge amounts of sugar, to the tune of 700,000 tonnes in 2017. This stems from the significant quantities that are smuggled from Thailand, the second largest sugar exporter in the world, into Vietnam.

Compounding Vietnam's problems, its biggest customer, China, has been placing more orders with Thailand in recent years, due largely to its comparatively lower prices. In Vietnam, sugarcane is sold at US$45-50 per tonne, compared to US$30 per tonne in Thailand.

After the 2018 changes to the tariff and quotas regime, Vietnam will be forced to lower its sugar prices so that local producers can compete with imports.

Industry insiders believe the critical issue Vietnam must tackle first concerns the price and quality of its sugarcane, more so than production technology. The cheaper price of Thai sugarcane is due to the subsidies the farmers get in order to develop high-quality sugarcane in their fields.

In January, the Thailand Cane Sugar Industry Association announced that sugar output would fall by 3.1% this year to 9.3m-9.4m tonnes as a result of droughts caused by the El Niño climate phenomenon. Last year's water shortage—the most sever in the last 20 year's—will also hamper exports, which are expected to fall to around 6.8m tonnes, down from 7.1m tonnes last year.