



Global Conference on Multidisciplinary Research and Innovation

Hosted Online from Berlin, Germany

Date: 2nd June, 2026

Website: <https://econferencia.com>

MEASURES TO COMBAT THE ILLEGAL PRODUCTION AND TRAFFICKING OF ALCOHOLIC BEVERAGES IN UZBEKISTAN

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Abstract:

This article analyzes the state policy, legal, and economic measures aimed at combating the illegal production and illicit turnover of alcohol products in the Republic of Uzbekistan.

Keywords: Illicit turnover, counterfeit products, shadow economy, digital marking, state control, alcohol market, economic security.

Аннотация:

Ушбу мақолада Ўзбекистон Республикасида алкоголь маҳсулотларини ноқонуний ишлаб чиқариш ва уларнинг яширин айланмасига қарши курашиш борасида амалга оширилаётган давлат сиёсати, ҳуқуқий ва иқтисодий чора-тадбирлар таҳлил этилади.

Калит сўзлар: Ноқонуний айланма, контрафакт маҳсулотлар, яширин иқтисодиёт, рақамли маркировка, давлат назорати, алкоголь бозори, иқтисодий хавфсизлик.

Аннотация:

В данной статье анализируются государственная политика, правовые и экономические меры, направленные на борьбу с незаконным производством и теневым оборотом алкогольной продукции в Республике Узбекистан.



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Ключевые слова: Незаконный оборот, контрафактная продукция, теневая экономика, цифровая маркировка, государственный контроль, алкогольный рынок, экономическая безопасность.

Uzbekistan's fight against the illegal circulation of alcoholic beverages has become one of the key priorities of state policy. This policy is aimed not only at ensuring economic security but also at protecting public health from hazardous products of unknown composition. Establishing an effective control system over the production and distribution of alcoholic beverages, preventing their illegal circulation, promoting fair market competition, and safeguarding consumer rights have become important socio-political objectives. Indeed, the illegal production and trade of alcohol pose serious threats to public health, the national economy, and the family institution, which constitutes the moral foundation of society. Therefore, from the very first years of independence, Uzbekistan has implemented a number of practical measures in this area.

An analysis of the activities of the **Sharobsavdo** wholesale distribution bases operating in Uzbekistan demonstrates that the primary objective of the system was to preserve the state monopoly and strengthen regulatory control over the alcohol market. On **31 March 1999**, several major distribution enterprises—**Qoradaryo Sharobsavdo**, **Siyob Sharobsavdo**, and **Qurgontepa Sharobsavdo**—were established simultaneously. Since alcoholic beverages remained under state monopoly, the **Uzmevasabzavotuzumsanoat Holding** held a **51 percent ownership stake** in these enterprises.

Commercial activities were primarily regulated by **Presidential Resolution No. PP-505 of 7 November 2006**, which prohibited the sale of alcoholic beverages without advance payment. However, the operational performance of these enterprises varied considerably, and their overall efficiency remained low. For



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example, **Vodil Sharobsavdo** conducted financial and commercial activities in 2015 and maintained product inventories worth **UZS 2 billion** in its accounts. **Siyob Sharobsavdo** generated revenues amounting to **UZS 506.5 million** during 2015 but ceased operations by **May 2016**. In contrast, **Qurgontepa Sharobsavdo** operated efficiently during 2015–2016, recording revenues of **UZS 24.3 billion**. Meanwhile, **Qoradaryo Sharobsavdo** fulfilled only **15.1 percent** of its planned turnover in 2017 and reported financial losses totaling **UZS 197.1 million**.

Official inspections revealed numerous irregularities within the sector. The most significant problem was the widespread practice of supplying products on credit without advance payment. For instance, **Khatirchi Sharobsavdo** and **Siyob Sharobsavdo** accumulated hundreds of millions of Uzbek soums in uncollected debts, while court decisions concerning debt recovery remained unenforced. At **Siyob Sharobsavdo**, sales turnover figures were artificially inflated between **2013 and 2015**. Furthermore, **Khatirchi Sharobsavdo** recorded the receipt of **126,000 bottles of wine** in its accounting records although the products had never been physically delivered.

Financial inspections also uncovered inventory shortages and tax evasion schemes. In 2010, **Khatirchi Sharobsavdo** concealed revenues amounting to **UZS 111.373 million**. During different years, financial shortages involving millions of Uzbek soums were detected in several enterprises, resulting in the initiation of criminal proceedings.

Serious deficiencies were also identified in management practices and material resources. Internal discipline and logistical support remained inadequate. For example, **Siyob Sharobsavdo** lacked even basic computer equipment and essential office technology. **Khatirchi Sharobsavdo** operated without owning business premises and conducted its activities without a formal lease agreement. The enterprise also experienced high staff turnover, with directors and chief



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accountants changing several times within a short period, significantly weakening financial oversight. Due to poor financial discipline, **Siyob Sharobsavdo** accumulated debts of **UZS 16.5 million**, while another enterprise reported outstanding liabilities exceeding **UZS 58 million**. Employees also experienced repeated delays in salary payments.

These findings demonstrate that although state supervision over the wine distribution system appeared strong in legal and regulatory documents, financial discipline was extremely weak in practice. The principal problems included unauthorized credit sales, concealment of revenues, and systematic violations of accounting procedures, ultimately causing many enterprises to operate at a loss or cease operations altogether.

Alcoholism and alcohol-related crime have long represented serious global challenges. In order to implement **Directive No. 33-2-2001 of 22 January 2001**, issued by the Deputy Prosecutor General of the Republic of Uzbekistan, prosecutorial authorities conducted a comprehensive review of administrative cases involving the illegal production and sale of ethyl alcohol and alcoholic beverages.

According to the findings of the 2000 inspection, **1,968 cases** involving the unlawful production and circulation of ethyl alcohol and alcoholic beverages were identified. Administrative proceedings were initiated in **1,587 cases**, including **41 cases against public officials** and **1,546 cases against private individuals**.

Administrative fines totaling **UZS 16.1 million** were imposed on offenders, of which **UZS 15.8 million (98 percent)** was successfully recovered in favor of the state. Law enforcement authorities confiscated **62,770 liters** of illegally circulated alcoholic products with a total estimated value of **UZS 41.5 million**. Of this amount, **49,547 liters**, valued at **UZS 18.6 million**, were confiscated by court decisions and transferred into state ownership.



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The conducted analysis revealed that certain regional authorities demonstrated insufficient effectiveness in collecting administrative fines. For example, in **Andijan Region**, only **UZS 531 thousand** out of the imposed **UZS 651 thousand** was collected, while in the **Republic of Karakalpakstan**, only **UZS 830 thousand** of the assessed **UZS 860 thousand** was recovered. Likewise, the recovery of the value of confiscated material evidence remained unsatisfactory. According to the findings, significant outstanding liabilities persisted in **Khorezm Region (UZS 1.1 million)**, **Namangan Region (UZS 1 million)**, and **Navoi Region (UZS 989 thousand)**. A regional breakdown of administrative violations showed the highest number of offenses in **Tashkent Region (346 cases)**, **Fergana Region (312 cases)**, and **Jizzakh Region (188 cases)**, indicating the need to strengthen preventive measures in these areas.

Deficiencies were also identified in law enforcement practice. In certain cases, investigative authorities either initiated criminal proceedings without sufficient legal grounds or, conversely, exempted offenders from criminal liability. For example, criminal proceedings were instituted against citizen **A. Malikov** in Sergeli District of Tashkent under **Article 186-1 of the Criminal Code**. However, after laboratory examinations confirmed that the products complied with quality standards and considering that the defendant had no previous criminal record, the case was reclassified as an administrative offense under **Article 176 of the Code of Administrative Responsibility**. Conversely, in the Republic of Karakalpakstan, individuals apprehended with large quantities of alcoholic beverages received only official warnings, despite the seriousness of their offenses, thereby undermining the principle of the rule of law.

Inspections conducted by tax authorities were often superficial and primarily focused on retail sellers rather than identifying the principal producers and suppliers responsible for illegal distribution networks. During the analyzed period,



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236 criminal cases were initiated against **274 individuals**. Approximately **65.7 percent** of these cases involved violations of **Article 186-1 of the Criminal Code**, relating to the unlawful production or circulation of ethyl alcohol, alcoholic beverages, and tobacco products. Analysis of judicial sentencing practices revealed that **39.7 percent** of convicted offenders received corrective labor sentences, **28.7 percent** were sentenced to imprisonment, and **19.1 percent** were subjected to monetary fines.

The study further demonstrated that inadequate supervision by the **Uzmevasabzavotuzumsanoat Holding Company** and regional divisions of the Ministry of Finance created favorable conditions for systemic abuses in alcohol production and distribution. Inspections conducted at **Denov Vino-Aroq JSC** and the **Surkhonsharob** wholesale base in Surkhandarya Region uncovered large-scale embezzlement of alcoholic products by company officials, as well as the sale of beverages without excise tax stamps. These findings clearly indicate the necessity of strengthening state supervision and improving regulatory control mechanisms within the sector.

One of the most significant criminal cases involved the organized criminal group headed by **U. Jabbarov**, Director of the **Zarafshan–California Joint Venture** located in Samarkand. Between **1996 and 1999**, the group illegally manufactured and distributed **3,616,510 bottles** of alcoholic beverages outside official accounting records, with a total value of **UZS 828.5 million**. The proceeds from these illegal sales were misappropriated by members of the criminal organization. Furthermore, during **1999** alone, members of the group demanded illegal payments ranging from **UZS 20 to UZS 50** for each bottle of vodka supplied under commercial contracts and **UZS 8** for every empty bottle, receiving a total of **UZS 17.3 million** in bribes. In addition, alcoholic products worth **UZS 1.3 billion** were supplied to companies lacking the required licenses, thereby causing substantial



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damage to state interests. Members of the criminal group were subsequently convicted under **Articles 167, 186-1, and 210 of the Criminal Code of the Republic of Uzbekistan**, and guilty verdicts were issued against them.

Investigations also demonstrated that the absence of systematic supervision over the production and storage of ethyl alcohol created favorable conditions for widespread corruption and financial abuse. In **Fergana Region**, the director of the private company **Nodiriy, Sh. Mukhtorova**, together with accomplices, illegally obtained **291.1 decaliters** of industrial alcohol from the **Furan Chemical Plant**, evaded taxes amounting to **UZS 1.2 million**, and embezzled property valued at nearly **UZS 3 million**. Officials of the **Furan Chemical Plant** also violated the requirements of the Presidential Decree of **9 August 1999** by unlawfully distributing industrial alcohol worth **UZS 241 million** to various companies under the guise of barter transactions and deliberately evading **UZS 21 million** in taxes. Another serious concern involved the clandestine production of counterfeit alcoholic beverages unfit for human consumption and posing significant health risks. For instance, **Z. Komolov** and accomplices in **Gijduvan District** manufactured and sold **850 counterfeit bottles** of *Shohrud* vodka. In **Samarkand District**, authorities confiscated **1,000 counterfeit bottles** from **J. Oblokulov** and **Ya. Ganiyev**. In **Fergana Region**, illegal production workshops were discovered in the residences of **M. Khonboboyev** and **G. Khudoyberdiyeva**, where counterfeit labels, bottle caps, and industrial alcohol were seized. Statistical data indicate that counterfeit and unsafe alcoholic products worth **UZS 17.04 million** were destroyed nationwide. The largest volumes were recorded in **Bukhara Region (UZS 3.3 million)**, **Samarkand Region (UZS 2.4 million)**, and **Khorezm Region (UZS 1.9 million)**.

Problems were also identified in judicial practice. Courts occasionally misinterpreted legal provisions and unjustifiably returned criminal cases for

