The transfer of surplus through direct exploitation is seen as working on two levels: the benefits accruing from the employment of cheap Palestinian labour, and returns from direct investments in the territories, especially from subcontracting firms dealing in textiles and construction material (tiles, stone-cutting, etc.). One area of obvious manipulation involves deductions for social service taxes from the income of West Bank and Gaza workers in Israel, without the provision of these services (except for workers residing in the greater Jerusalem area which is officially under Israeli jurisdiction). But more important is the wage differential between Palestinian and Israeli workers -- only part of which is accounted for by differences in training and productivity. In 1975 the average monthly wage for Israeli employees was IL2,466, compared to IL1,085 for Palestinian[2] employees. A labour survey conducted by the Histadrut in 1982 showed that, at least for the construction sector, there are 50-60% differentials in the hourly wage between West Bank and Israeli Jewish workers have the same skills (Ha'aretz, August 17, 1982). A critical Israeli report found that the utilisation of cheaper labour in the territories yielded a net benefit of IL615m in 1974 alone ("Israel and Palestine":1976). Figures on returns from Israeli investments in the territories are not readily available, but Van Arkadie mentions clothing firms (which are largely controlled by Israeli capital) as having one of the highest growth rates in industry, amounting to about 30% annually) (Van Arkadie, 1977:124).

The major dislocating impact of economic annexation has been inflicted on the indigenous organisation of production, both in its pre-capitalist forms (peasant society and urban craft) and in the nascent capitalist sector (containment of manufacturing). As a result of the internal migration of small farmers seeking employment in wage labour, we observe an increase in the total area of neglected farmland (from 238,000