Bilateral Agreements. The Chicago Convention of 1944 established that most aspects of economic regulation of air transport would be dealt with in bilateral air treaties between sovereign nations. This has resulted in the negotiation of over 2000 separate bilateral agreements which form the basis of the regulatory instruments used by governments to administer international air transport. In matters of dispute between the parties to a bilateral, specific law cases can be referred to the International Court of Justice or the Council of ICAO for resolution.

In Canada, bilateral agreements have the same legal standing as treaties, are approved by government and administered by the National Transportation Agency. The formal status of bilateral agreements in other countries vis-a-vis the legislative powers can vary.

For nonscheduled services it is still the exception that countries will attempt to institutionalize an exchange of rights in a bilateral agreement. A notable exception is the Canada-U.S. Nonsheduled Air Service Agreement negotiated in 1974. The more conventional process for approving charter services (established by the Chicago Convention) allows each state to develop rules and regulations which are applied whenever an airline applies to operate a charter service. Since each state is empowered to approve charters at its discretion, each state retains effective veto power over charter services into and out of its territory.

The Bermuda I Agreement. After the failure at Chicago in 1944 to reach a multilateral exchange of rights between the member states, the governments of the US and the U.K. reached a compromise bilateral air services agreement, which was meant to be a temporary solution to the impasse. Instead, the 1946 Bermuda I Agreement lasted some 30 years and established principles which gained general and extensive acceptance