By Scott Morris

The president of the Inter-American Development Bank appears with the U.S. Secretary of State at an initiative focused on Central American security and development. Meanwhile, the president of the World Bank co-authors an opinion piece with a senior White House actor highlighting the importance of women's entrepreneurship and signaling the launch of a World Bank trust fund spearheaded by the United States. These events of the past few months could have occurred during virtually any administration over the past half century.

Sure, that senior actor in the White House today is the president's daughter, so not all is completely normal here. Nonetheless, the Trump administration is following a long-standing blueprint when it comes to engagement with the international financial institutions (IFIs), using the position as the largest shareholder in these institutions to bring their financing and convening power to bear in support of U.S. policy priorities.

But scratch the surface and a more troubling picture emerges when it comes to U.S. leadership in the World Bank, the IMF, and the regional development banks. To start, the president's first budget proposal to Congress includes 20 percent cuts in US contributions to these institutions. It is a measure of just how draconian the broader cuts to foreign assistance are (on the order of one-third up to full elimination of numerous programs) that cuts to the IFIs appear modest by comparison. But in an international context and by historical standards, the IFI reductions are severe and are hard to reconcile with strong U.S. leadership in these institutions.

A key strength of the multilateral development banks is a financial model (defined by the contributions of many donors and the ability to leverage funds in financial markets) that greatly limits the impact of such a decline in U.S. contributions. And in fact, administration officials might very well say that's exactly why the cuts make sense. Why not ease the burden on U.S. taxpayers if the IFIs themselves can better shoulder the burden?

The problem is that these days the IFIs need the United States less than the United States needs the IFIs. U.S. leadership in these institutions, the ability to shape their policies and operations in line with U.S. interests, is a function of America's ownership stake, which is largely fixed. But it's also a function of how the United States uses that stake to enable the IFIs to meet global demand for their financing and services.

In the face of growing demand for financing from the IFIs in the developing world, the United States has essentially three options for exercising leadership: it can respond to that demand and lead efforts toward more ambition in these institutions; it can acquiesce to that ambition by stepping aside, effectively diluting its ownership stake in the IFIs while allowing other countries to do more; or it can stand in the way of ambition in the institutions by blocking measures to increase their financing capacity.

Option one appears unlikely in the context of deep cuts to current U.S. contributions. It also seems unlikely if we consider that the administration may be taking its cues from an IFI landscape pre-dating the global financial crisis, when demand was declining and there was some support among U.S. allies for pushing to "graduate" countries from IFI assistance as quickly as possible.

Option two seemingly aligns with the president's desire for other countries to "share the burden" as he's called for at NATO. Yet, it would be a dramatic departure from a long standing bipartisan view of U.S. interests to cede America's leadership stake in these institutions entirely to emerging powers. There may be some scope for reducing U.S. shareholding at the margin, but not to the degree necessary to meet demand with no new U.S. money.

Option three then appears the most likely and consistent with the behavior of previous administrations. The United States will keep the size of the institutions in check, responding with a firm "no" to other countries' calls for significant growth.

The problem with this scenario is that the Trump administration faces a world that looks quite different from the one of ten and twenty years ago. Countries that are thwarted in their ambitions at the World Bank or Asian Development Bank can now reorient those ambitions toward a China-led multilateral development bank, the AIIB. Or they can simply abandon multilateralism altogether in favor of private capital markets, national development banks, and other sources of capital.

These possibilities might ultimately work out okay for these countries but they would represent a clear loss for the United States, as the IFIs in which the Americans lead lose both their financing and convening power over time – the very qualities that have proved so valuable to Republican and Democratic administrations since the Truman presidency.