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Argentina's Scioli walks tightrope in hunt for party faithful, swing voters

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By Richard Lough and Nicolás Misculin

LANUS, Argentina (Reuters) - Daniel Scioli, the front-running candidate for the ruling party ticket in Argentina's presidential election, has a new buzz word: "gradualismo", or "gradual change".

It is hardly a slogan to set the campaign trail ablaze ahead of the October 25 election. Instead it illustrates the tightrope act he needs to pull off as he tries to win the support of outgoing leftist President Cristina Fernandez's loyalists while tapping a rich vein of undecided voters demanding change.

Argentina's next president will inherit a broken economy by most standards: inflation running at 20-25 percent, low foreign reserves, a gaping fiscal deficit fuelled by hefty subsidies, negative real interest rates and a debt default.

Scioli, a 58-year-old former power boat champion who lost his right arm in a crash in 1989, is governor of Argentina's most populous province, Buenos Aires.

A moderate within the broad Peronist movement that has ruled Argentina for all but eight years since the return of democracy in 1983, he is more pragmatic and pro-market than Fernandez and says policy changes are needed to get the economy moving.

But he says he will move carefully rather than the fast approach proposed by his main rival Mauricio Macri, the conservative mayor of Buenos Aires city.

"We believe in doing everything slowly so that the social effects aren't too severe," said Jorge Telerman, Scioli's campaign spokesman.

Scioli's first task is to win the ruling Front for Victory's primary election in August and lock in its supporters, who could make up 30 percent of voters. Without that, his presidential bid is dead.

Scioli was vice president to Fernandez's late husband and predecessor Nestor Kirchner from 2003 to 2007.

He is seen as the only figure inside Fernandez's party with any hope of winning the election so they need each other, but they are not close. Government officials say relations have been strained by differences of policy and personality.

"If Scioli breaks from Cristina, he loses the primary," said one presidency insider. "But without Scioli we

are left with just 30 percent of the vote in the election, because we won't gain the (independent) votes Scioli would bring."

Although much more pro-business than Fernandez, Scioli has backed her government's nationalization of energy company YPF and the national airline, Aerolineas Argentinas.

He needs to persuade Fernandez loyalists that he does not represent a dramatic lurch away from her populist policies.

"If Cristina endorses Scioli then I'll vote for him. But if he distances himself from her then he'll lose my vote," said 27-year-old Adrian Ponce as he handed out fliers for a tarot card reader in Lanus, a working class district south of the capital Buenos Aires. "He's got a tough path to walk."

Like many low-income Argentines in Lanus's shabby streets, Ponce's family has received generous welfare payments from Fernandez's government. He would vote for her again if the constitution allowed her to seek a third term.

SWING VOTERS

If Scioli wins the primary, he will then try to persuade swing voters he will reduce heavy-handed state controls, lure more investment and haul down inflation.

It is shaping up to be a tight race. An April 13 poll by Ricardo Rouvier & Associates gave Scioli 26.2 percent support, with Macri on 23.3 percent and Sergio Massa, a former Fernandez ally who broke ranks in 2013, third with 17.5 percent.

Another recent poll put Scioli ahead of Macri by less than a percentage point, with Massa a distant third. Many voters are undecided.

"Scioli knows that he has to hunt votes outside the core nucleus of Fernandez supporters, because the militant vote alone won't win an election," said political analyst Ricardo Rouvier.

Kirchner and Fernandez both spent the fat of a commodities boom to bolster salaries, finance energy and transport subsidies and spur consumer demand. Commodities prices have since slumped, but spending has spiralled higher.

"Today it's not possible to sustain consumer demand like before," said Miguel Bein, an economic adviser to Scioli.

He said Scioli would attract investment to drive an economic recovery and would target knocking 5 percentage points off the inflation rate each year, putting it in single digits by the end of a first four-year term.

Export taxes on wheat and corn would be cut, Bein said, and perhaps also the huge 35 percent tax on soy shipments, which farmers in the grains powerhouse say kills profit.

"With soy, we will have to look at prices. Under no scenario will there be an aggressive cut," said Bein, recognizing the importance of soy tax revenues for the Treasury's coffers.

On negotiations with the hedge funds suing Argentina over unpaid debt, Scioli's camp says he would negotiate a deal but not at any price.

"If the holdouts want 100 cents on the dollar then that is madness," said campaign spokesman Telerman.

"Argentina has to improve its relations with international markets, but in a rational way."

If Scioli wins, Fernandez may retain clout in the ruling coalition, a scenario that worries some independent voters.

"I'm undecided between Scioli and Macri," said Lanus store owner and Fernandez critic Jorge Medahuar. "Scioli is more in touch with reality than Cristina. But I see him being tied to her."

(Additional reporting by Maximilian Heath; Editing by Kieran Murray)

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