Thousands of people have protested outside the Australian embassy in Dili, calling for Australia to negotiate a permanent maritime boundary in the Timor Sea.

Organisers of the protest said good relations between the people of East Timor and Australia had been scarred by Canberra's policy to "illegally occupy" East Timor's maritime territory and "take resources from this small nation".

In a statement, they claimed East Timor had lost $6.6 billion in oil and gas revenues to Australia under provisional arrangements for resource sharing between the two countries.

Earlier this week, East Timor's former prime minister Xanana Gusmao said the Timorese people must "stand firm against Australia" and come together to demand that Canberra negotiates with Dili on the delimitation of maritime boundaries, according to international law.

The demonstration on Tuesday attracted civil society groups, students and veterans of East Timor's struggle for independence.

It was organised to mark the anniversary of Australia's decision to withdraw from the maritime boundary jurisdiction of the UN Convention on the Law of the Sea (UNCLOS).

East Timor believed if the maritime boundary was decided under UNCLOS, most of the oil and gas reserves in the Timor Sea would lie within their territory.

East Timor's Prime Minister Rui Araujo wrote to Prime Minister Malcolm Turnbull earlier this year, asking for talks on a permanent maritime boundary in the Timor Sea.

East Timor said Mr Turnbull offered to hold bilateral talks but declined the request to hold discussions specifically about the maritime boundary issue.

In contrast, the Federal Opposition has announced that if elected it would reopen talks with East Timor on a maritime
Protesters are expected to gather outside the Australian embassy in Dili again on Wednesday and groups in Australia who support East Timor's position are planning rallies in some Australian cities this week.

In a statement, the Department of Foreign Affairs and Trade said all Australians registered with the Dili embassy had been notified about the protests.

It said the embassy would remain open but with reduced staff.

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