Lawyer for Timor spy demands inquiry

The lawyer representing a former-Australian-spy-turned-whistleblower in an East Timor bugging saga has called for a Senate inquiry.

"It's a litmus test on our moral leadership," Bernard Collaery told a rally of about 50 people outside Parliament House in Canberra on Wednesday.

The man known only as Witness K, continues to be denied a passport by the Department of Foreign Affairs and Trade.

The former Australian Secret Intelligence Service agent was a key witness for East Timor in a case against Australia over allegations Dili's cabinet rooms were bugged during negotiations over a gas and oil treaty in 2004.

Witness K was supposed to give evidence at the Permanent Court of Arbitration in the Hague but had been unable to leave Australia because his passport was seized in 2012.

East Timor in January dropped the spy case against Australia as an act of goodwill ahead of negotiations on a maritime boundary.

Dili notified Canberra that it wished to tear up a 2006 treaty which split 50-50 future revenue of the Greater Sunrise oil and gas reserves in the Timor Sea.

The reserve contains gas and oil worth an estimated $50 billion but how the share of the spoils will be divided up must now be revisited.

Australia and the East Timor government are taking part in conciliation in The Hague.

The domestic spy agency ASIO has no problems with returning Witness K's passport but ASIS continues to stand in the way.

Timor Sea Justice campaigner Peter Job told AAP a broader Senate inquiry was needed to examine Australia's history of "bullying" East Timor over the years as well as the Witness K saga.